THE REPARATION SETTLEMENT 1930

By DENYS P. MYERS

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THE REPARATION SETTLEMENT

By Denys P. Myers

I. THE DEVELOPMENT OF THE PROBLEM

The Report of the Committee of Experts, 1929, which was rendered to the Governments interested in reparation and to the Reparation Commission on June 7, 1929, together with the ensuing decisions of the Hague conference of August 6–31, 1929, and January 3–20, 1930, closed a chapter in the most complicated field of postwar economic relations. The New Plan[1] liquidated the political elements in a key economic problem and provided for the payment of the large intergovernmental indebtedness involved. The acceptance of the Report of the Committee of Experts by the Governments and the implementation which they gave it in the two sessions of their own conference create a system for the payment of the reparation debt which conforms to the best attainable application of financial principles and practice and establishes machinery in the Bank for International Settlements for handling the intergovernmental payments involved on a normal banking basis. The new system of payments entered into force provisionally on September 1, 1929, and the whole complicated settlement formally and finally became a reality on May 17, 1930.

The final protocol of the Hague conference enacted 14 agreements by which there were effectively settled every outstanding claim or counterclaim for reparation in relation

[1] The New Plan consists of the Report of the Committee of Experts, 1929, (the Young Plan), the protocol of August 31, 1929, and the agreement of January 20, 1930; see Appendix, I.

to the World War and arising out of the armistice conventions, the treaty of Versailles or other treaties of peace, and agreements for their execution. All functions previously performed by organs established by those instruments and still necessary to be performed were transferred to the Bank for International Settlements. Good faith alone is the sanction of the system. In case of dispute over its interpretation or application, the Tribunal of Interpretation existing under the Dawes Plan shall hear it.[1]

The Committee of Experts was intrusted with "the task of drawing up proposals for a complete and final settlement of the reparation problem." The fundamental contribution which they made to the solution of the problem of reparation was the determination of the amount (which includes the number) of the annuities due from Germany and the determination of an economic method by which they may be discharged, especially providing for the "commercialization" of a part of the total.[2]

It will be enlightening to indicate the advance of the reparation problem from an inchoate mass of contentions[3] to a condition in which agreement upon these finally outstanding features made possible its elimination from international controversy. At the close of the World War no responsible statesman claimed that it was possible for the victors to impose an indemnity upon the vanquished. The victors were, however, insistent that reparation for damage done was not only necessary but just. The negotiations at the Peace Conference at Paris were essentially unilateral, consisting of the development of a treaty text by the victors and its acceptance by the vanquished under a form of ultimatum. Characteristics of the reparation settlement, which

[1] This tribunal for five years was to be composed of the incumbents: President, Thomas Nelson Perkins (American); neutrals, Marcus Wallenberg (Swedish) and A. G. Kröller (Dutch); creditors, Charles Rist (French); debtor, A. Mendelssohn Bartholdy (German). Mr. Perkins, however, resigned before the New Plan came into force.

[2] On this phase of the settlement, see p. 106.

[3] The summary is based upon *Reparation*, Parts I–VI, in this Series, in which the writer gives a continuous documented history of the subject from its inception until the Reports of the Agent General for Reparation Payments began under the terms of the Dawes Plan in 1925.

originally came into force by the treaty of Versailles on January 10, 1920, were:

1. Joint and several acceptance of responsibility for "all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected" by Germany, Austria, Hungary and Bulgaria; [1]

2. The establishment of the Reparation Commission to manage the interests of the creditors;

3. The collection of evidence as to the amount "of damage done to the civilian population of the Allied and Associated Powers and to their property" (which was stipulated to include military pensions and family allowances); [2]

4. The fixation of the total amount by the commission on the basis of the claims and after giving the debtors "a just opportunity to be heard;" [3]

5. The amount thus fixed could not be changed except by the creditor Governments;

6. Various immediate payments and credits were provided for, passing at the outset through a special account. In addition, various immediate deliveries of commodities and the transfer of properties were provided for, while extensive provision for restitution of articles subject to the plundering incidental to war was stipulated;

7. In the case of Germany, the reparation debt was to be evidenced by the delivery of bonds to the Reparation Commission, which bonds were to be subject to 5% interest and to 1% sinking fund from May 1, 1921; [4]

8. As a guaranty for the execution of the treaty with Germany, German territory west of the Rhine and three bridgehead zones east of the Rhine were occupied by Allied and Associated troops for five, ten and fifteen years respectively.[5] In case the Reparation Commission "finds

[1] *Reparation*, Part I, p. 17; see also *infra*, p. 116 *ff*.

[2] *Ibid.*, p. 29; Part II, p. 48–90.

[3] *Ibid.*, Part II, p. 75–79.

[4] *Ibid.*, Part III, p. 195.

[5] Treaty of Versailles, Arts. 42–44, 428, 432; Harold W. V. Temperley, *History of the Peace Conference at Paris*, II, p. 113.

that Germany refuses to observe her reparation obligations," part or all of these zones might be reoccupied.

The first available assets under reparation were the properties of ex-enemy subjects situated in the territories of the creditors; the delivery of articles under the treaties was the second. Both had to be distributed.

Spa Percentages of Distribution

The first important problem solved by the creditors was the determination of the percentages of the whole which they were respectively to receive. The Spa agreement of July 16, 1920,[1] though later modified in detail, remained operative until it was superseded by Annex VII of the Report of the Committee of Experts, 1929, as revised by the Hague conference. The Spa percentages in their 1929 proportions were:

France			54.45%
British Empire			23.05%
Great Britain	86.85%	20.01024	
Minor colonies	0.80%	0.18432	
Canada	4.35%	1.00224	
Australia	4.35%	1.00224	
New Zealand	1.75%	0.40320	
India	1.20%	0.27648	
South Africa	0.60%	0.13824	
Newfoundland	0.10%	0.02304	
Italy			10.00%
Yugoslavia			5.00%
Belgium			4.50%
Rumania			1.10%
Portugal			0.75%
Japan			0.75%
Greece			0.40%

The keenest kind of an argument took place as to the amount of damage which should be charged to the debtors, particularly Germany. Various conferences of the allied creditors took place upon this subject. The treaty of Versailles mentioned, without definitely indicating that

[1] *Reparation*, Part II, 55.

they represented a total, three series of bonds 20, 40, and 40 billion gold marks,[1] face value, respectively. The German delegation to the Peace Conference was willing to accept an obligation to pay an amount not exceeding 100,000,000,000 gold marks, on which apparently no interest was contemplated. At the Boulogne Conference in June, 1920, the allied premiers tentatively agreed to demand 269,000,000,000 gold marks, which sum would have involved an eventual payment of 400,000,000,000 gold marks. The Reparation Commission had considerable difficulty in securing statements of the claims of the creditors which were to be met by reparation under the treaties. When the commission closed its receipt of claims on February 12, 1921, it had before it, on the basis of the exchange of that day, claims which reached a total of 226,000,000,000 gold marks. The German Government sharply contested the justice of some amounts. On April 27, 1921, the Reparation Commission unanimously decided that "the amount of damages for which reparation is due" was 132,000,000,000 gold marks. The formal Schedule of Payments was transmitted by the allies to Germany, May 5, 1921, along with an ultimatum relating to other matters. This schedule, accepted by Germany, provided, with certain additions and subtractions, a total reparation debt as follows:

A bonds, 12,000,000,000 gold marks, 5% interest, 1% sinking fund; coupon bonds delivered July 1, 1921.

B bonds, 38,000,000,000 gold marks, 5% interest, 1% sinking fund; coupon bonds delivered November 1, 1921.

C bonds, 82,000,000,000 gold marks; delivered without coupons attached November 1, 1921, arrangements as to interest and sinking fund deferred.[2]

At the time this Schedule of Payments was not deemed to express reality. It was assumed that the practical liability of Germany was at most the 50,000,000,000 gold

[1] The gold mark and the Reichsmark are both worth 23.8 cents gold, or 4.2 marks to the dollar.

[2] See in general *Reparation*, Part II, p. 48–90, and Schedule of Payments, *Reparation*, Part III, p. 195.

marks of the A and B bonds, while it was recognized that payments by other reparation debtors — Austria, Hungary, Bulgaria — would be credited to the Series C bonds. There were, also, earmarked to crediting against Series C bonds various sums awarded to Germany as a result of disputed appraisals, notably the difference between the creditors' estimate of the value of shipping delivered by Germany and the sum credited to Germany by the Reparation Commission. The Schedule of Payments contemplated that amounts credited to Germany should serve to cancel an equivalent value of A or B bonds. This system was never effectively operated. As a consequence, none of the bonds was ever canceled.

The major campaign of the Great War on the western front took place upon the soil of northeastern France. As a consequence of the military operations it was France, one of the victorious states, which sustained the bulk of the devastation resulting from the war. This circumstance made France a principal creditor which enjoyed wide sympathy for its plight. The demand of France for payments sufficient to restore the devastated area created a heavy pressure upon Germany to turn over large sums immediately and resulted in complications with the other creditors, who claimed a right, *pari passu*, to benefit from German payments.

The reparation parts of the treaties of peace provided both for the delivery of specified commodities and for a system of delivering commodities as one form of paying the reparation debt. These deliveries in kind brought a certain resistance from some of the creditors. It was felt that the delivery of articles normally capable of being handled in ordinary trade would tend to increase the foreign commerce of the debtors, with a possible disadvantage to the commerce of the creditors. Great Britain took the initiative in meeting the problem by the passage of the Reparation Recovery Act in 1921 which provided, in effect, that 26% of the value of German goods imported into Great Britain should be paid to the British Government and credited to Germany

as a reparation payment, Germany in turn making a payment to its exporting national equivalent to that amount. Similar legislation was also passed by France and was put into operation in 1924. These acts tended to prevent reparation from increasing the debtor's trade volume.

Meanwhile much attention was given to developing a system for managing deliveries in kind and eventually a very complicated set of regulations, embodying many previous decisions, was issued by the Reparation Commission (the Wallenberg regulations) in 1925, subsequent to the entrance of the Experts' Plan into force.[1]

Another form of commodity payment which was contemplated, but which was slow to be put into operation, was the construction of public works. Programs for such construction in France were made by the German Government, but the fear of resulting unemployment complicated their acceptance until after the Dawes Plan was in effect.[2]

"Sanction" of Ruhr Occupation

By 1923 the German payments, having for various reasons been confined chiefly to monetary payments and credits for overseas and other possessions, were on the decrease. France and Belgium, in particular, felt keenly the need for increasing payments. The creditors were then opposed to reducing their claims to an amount which Germany was willing to pay.

Other considerations of a political character weighed with the creditors and had the effect of casting doubt upon the Government's statements of the ability of the German economy. Among these were German resistance to compliance with the disarmament clauses of the treaty of Versailles, the friction due to allied control over the occupied zones along the Rhine, and French encouragement of the Separatist movement in the Palatinate and adjacent parts of Germany.

[1] For text of the regulations see Reparation Commission, *Official Documents*, IX; for prior history and Wiesbaden agreement see *Reparation*, Part II, p. 135 *ff.*

[2] *Reparation*, Part VI, p. 144.

By Par. 18, Annex II, Part VIII, of the treaty of Versailles the creditors, "in case of voluntary default by Germany" had the right to take "economic and financial prohibitions and reprisals and in general such other measures as the respective Governments may determine to be necessary in the circumstances;" and Germany agreed not to regard these measures as acts of war. Following various proposals for settlement, based upon reports of experts appointed both by the Reparation Commission and the German Government, the representatives of the creditors and Germany were unable to agree. During 1921 the creditors sought to get payments by arranging definite programs of delivery. Schedules of coal delivery were drawn up, were not met completely, and France toward the end of that year sought a decision that Germany was in default. The Reparation Commission found means of compromising that dispute.[1]

On December 1 and December 26, 1922, however, the Reparation Commission, on the initiative of the French Government, decided that certain deliveries of timber in that year constituted a default by Germany under Par. 17, Annex II, Part VIII, of the treaty, which refers to a "default" rather than a "voluntary default." The technical deficit was admitted by Germany. On December 26 the Reparation Commission, "in the exercise of its powers of interpretation," passed a resolution by which it decided "that the word 'default' in Par. 17 of the said Annex has the same meaning as the expression 'voluntary default' in Par. 18." [2]

As a result of this decision the French Government held that it was justified in occupying the Ruhr metallurgical district of Germany. In January, 1923, French and Belgian troops entered that region and Italian troops joined those of the allies in the Rhineland occupied zones. The French occupation of the Ruhr continued until September,

[1] *Report on the Work of the Reparation Commission from 1920 to 1922*, Reparation Commission, V. p. 105.

[2] For text of the minutes see *ibid.*, p. 240 *ff.*

1924, as a form of seizing pledges and of requisitioning in kind in recovery of reparation debts. The expenses of the occupation were recovered and, in addition, the net receipts on reparation account for 21 months of military self-help credited to France amounted to 312,901,159.37 gold marks.[1]

The occupation of the Ruhr resulted in the practical cessation of reparation payments except as they were collected by the occupying forces or by such automatic devices as the Reparation Recovery Acts. The German Government and people declined to admit the justification of that occupation and attempted a régime of passive resistance; they further bent a large amount of economic energy to the support of strikers in the region affected. The financial condition of the Government deteriorated rapidly and the anomalous conditions resulting attracted wide-spread attention.

In October, 1923,[2] the British Government inquired whether the United States would be willing to participate in an inquiry looking to the solution of the situation. While the Government of the United States desired "to lend its assistance in any manner that may be found feasible," it found it advisable to "reserve decision as to its course of action."

The Dawes Plan

On November 30, 1923, the Reparation Commission decided to create two committees of experts "belonging to allied and associated countries" to inquire into "the resources and capacity of Germany." One committee was to study "the means of balancing the budget and measures to be taken to stabilize the currency," which at that time had depreciated to such an extent that the percentage of the cost of the dollar as compared with par in November, 1923, was 96,134,200,000,000.[3] The other committee was

[1] *Le Temps*, June 29, 1929.

[2] *Reparation*, Part V, p. 338. On the suggestion of Secretary of State Hughes of December 29, 1922, see *ibid.*, p. 334.

[3] League of Nations, *Monthly Bulletin of Statistics*, Table XIV. The average for 10 months of 1924 was 103,730,600,000,000.

to consider the means of estimating the amount of exported capital and of bringing it back to Germany.

In the lengthy discussions respecting the German capacity and disposition to pay, the flight of capital from that country had played a highly interesting part. That Germany was not paying enough to meet the service of the A and B bonds issued was obvious; that German currency was steadily depreciating was notorious; that there were blocks of German marks abroad was well known. It was alleged that Germans were deliberately exporting capital in order to avoid its taxation for reparation purposes; and it was also asserted that this movement of capital had for an object the deliberate ruin of the country so that reparation would be unpayable. These allegations made a deep impression upon some of the politically minded. The Second Committee of Experts was charged with determining the truth respecting this situation. It was headed by Reginald McKenna, sometime Chancellor of the British Exchequer. The committee in its report of April 9, 1924, analyzed the conditions which attend the migration of capital and found that its so-called flight in the German instance "was in the main the result of the usual factors." Speculation had been markedly a contributing factor. The committee reported that the normal remedies for the situation were the only ones that were applicable to Germany, namely, the attainment of stability and the restoration of confidence. The report attracted no subsequent attention; but it stopped discussion of an unreal factor which had served to cloud and complicate the reparation problem over a period of years.

The First Committee of Experts produced what is known as the Experts' (Dawes) Plan which transformed the operation of reparation payment from a political to an economic procedure. The committee was appointed by the Reparation Commission and consisted of two national experts each acceptable to the admittedly interested governments, and two nationals of the United States. The Americans chosen to serve on the committee were General

Charles G. Dawes and Owen D. Young, neither of whom was unacceptable to the United States Government. The former, having been made chairman of the committee with the consequence that the resulting plan bears his name, was duly elected Vice-President of the United States in November, 1924.

The First Committee of Experts sat from January 14 to April 9, 1924. Its report [1] was declared by the Reparation Commission on April 11 to "offer a practical basis for the rapid solution of the reparation problem." The Governments concerned — Belgium, British Empire, France, Italy, Yugoslavia [2] — favored proceeding on its basis and the organization committees provided in the plan forthwith started work. The states concerned met with Germany in a conference at London, July 16 to August 16, 1924, and in a series of agreements worked out in detail the methods for bringing the plan into force. The United States consented to send official delegates to this conference "with strictly limited powers," which would not include "signature of the agreements reached." The agreements and protocols of the conference [3] entered into force on August 30, on which date the necessary German legislation in connection with the plan became law. On January 14, 1925,[4] an agreement was signed at Paris (commonly referred to as "the finance ministers' agreement") regarding the distribution of the annuities provided for under the plan. The United States, as one of the recipients, signed this agreement, to which the parties were the Governments of Belgium, France, Great Britain, Italy, Japan, United States, Brazil, Greece, Poland, Portugal, Rumania, Yugoslavia and Czechoslovakia. The plan itself entered into force on September 1, 1924, and was

[1] See text of both reports in *Reparation*, Part V, and in Reparation Commission, *Official Documents*, XIV.

[2] The name of the Kingdom of the Serbs, Croats and Slovenes was changed to Yugoslavia by decree of October 3, 1929. (*L'Europe nouvelle*, Oct. 26, 1929, p. 1436.)

[3] *Reparation*, Part VI, p. 236 *ff;* Reparation Commission, *Official Documents*, XIV, where the laws are also given.

[4] *Reparation*, Part VI, p. 276.

succeeded on September 1, 1929, by the plan of the Committee of Experts, 1929.

The Dawes Plan confined its recommendations to the two points which had been assigned for consideration: the means of balancing the budget and the measures to be taken to stabilize the currency. Approaching these questions from the standpoint of business rather than politics, the committee found itself under the necessity of determining the foreign debt obligation of the German Government and of devising means of recovering its annual amounts from the German economy; of providing for the transfer of payments to the creditors; of devising methods of financial and currency reconstruction, and of insuring economic guaranties for the continuance of the payments stipulated, consistent with German financial autonomy. In brief the plan provided:

1. The establishment of a new Reichsbank and new currency, with the aid of an external gold loan.

The result was the complete stabilization of the German currency [1] and financial economy.

2. The fixation of annuities, the payment of which was to "comprise all amounts for which Germany may be liable to the Allied and Associated Powers for the costs arising out of the War, including reparation, restitution, all costs of all armies of occupation, clearing house operations, to the extent of those balances which the Reparation Commission decide must legitimately remain a definitive charge on the German Government, commissions of control and supervision, etc."

The result was the cessation of all bickering with Germany over collateral and incidental charges or payments.

3. The assumption by the creditors of any exchange hazard. Payment in German currency into the Reichsbank to the credit of the Agent-General for Reparation Payments was "the definitive act of the German Government in meeting its financial obligations under the plan."

As a brilliant financial economist, the late Jacques

[1] For details see League of Nations, *Monthly Bulletin of Statistics*, Table XIV.

Seydoux, has said, "reparation ceased to be c. i. f. and became f. o. b."

4. The sources of the annuities were defined. One half of a standard annuity of 2,500,000,000 gold marks [1] was to come ultimately from the German budget, this payment being collaterally secured by the produce of certain assigned revenues subject to control by a commissioner appointed by the creditors. A second portion of the annuity was a specified amount from a direct tax on transport. A third amount was raised by transferring the German Government railway system to the German Railway Company, which transferred its own bonds to a commissioner appointed by the creditors. A final portion of the annuity consisted of debt service on "industrial debentures." Under complicated processes a debt liability was accepted by industrial corporations, and against this liability were issued industrial debenture bonds in favor of the commissioner of the creditors.

The result was the raising of money for reparation payments by substantially normal fiscal processes.

5. The dependence of the reparation payments on the service of the German railway and the industrial debenture bonds created a basis for "commercializing" a part of the reparation debt.

This was much discussed, but was not put into execution under the Dawes Plan.

6. In behalf of the creditors a Transfer Committee was established to manage the transfer of payments across the exchanges.

This committee worked successfully and transferred an increasing proportion of total payments in cash forms, eventually amounting to over 50% of the total.

7. The whole system was supervised by the Agent-General for Reparation Payments, S. Parker Gilbert, whose very efficient organization contributed materially to the success of the plan.

[1] The annuities in years prior to the fifth were derived from the same sources, but in smaller amounts. A "prosperity index" would have modified the total in subsequent years.

The Agent-General's authority had the effect of coordinating the system into a smoothly running machine with benefits to the German fiscal system and advantages to the creditors.

8. The entire system being specific and fully worked out, the Dawes Plan indicated, and the agreements of the London conference provided in detail for, the smoothing out of all friction concerning it by appropriate arbitral methods, 19 separate types of jurisdiction being provided.[1] The most important of these is the Tribunal of Interpretation between the Reparation Commission and the German Government.

This procedure obviated the likelihood of friction, due to the operation of the plan, developing a political problem.

9. The Reparation Commission, while continued in existence, was substantially superseded.

Agreement for Final Settlement

The successful operation of the Dawes Plan thus eliminated a great many of the difficulties which the reparation problem had developed. The great service which the Plan rendered was that it stripped the question of its political incrustations and substituted a system essentially, if not entirely, economic. It was, however, true that a potential political control remained in existence, even if dormant, and German payments were both supervised and administered.

[1] *Reparation*, Part VI, p. 314. Altogether only 13 questions involving six decisions were submitted to arbitration. Of these, 10 were submitted to the Tribunal of Interpretation, two being settled out of court and one not being received because no provision for payments on the subject matter existed. Five questions were settled by an award of March 24, 1926, and one each by awards of January 29, 1927, and May 29, 1928. (Reprinted in *American Journal of International Law*, XX, p. 566; XXI, p. 344; XXII, p. 913.) See also *Die Entscheidungen des Internationalen Schiedsgerichts zur Anslegung des Dawes Plan*, Berlin-Grunewald, Rothschild, 1926–29, 4 vols.

An award on the extent of the public law mortgage of the industrial charges law was rendered on December 28, 1925 (*American Journal of International Law*, XX, p. 370). A matter of taxation was decided by an award of June 23, 1926 (Reparation Commission, *Official Documents*, XVIa, p. 100, and *American Journal of International Law*, XXI, p. 326) and a question relating to railroad tariffs on August 24, 1928 (*ibid.*, XIXa, p. 186).

The Dawes annuities were paid promptly, though it was debated whether the standard annuity would not over a period of years prove beyond Germany's capacity. From 1927 on, extensive discussions took place as to whether German payments had not in reality been met by the proceeds of imported capital.[1] The Agent-General in his report of June 7, 1928,[2] stated that "fundamentally, what the Plan has done is to re-establish confidence and to permit Germany's reconstruction as a going concern. In so doing it has marked the turning point in the reconstruction of Europe, and it has also achieved its primary object, by securing from the very beginning the expected reparation payments and transfers to the creditor powers." He continued by calling attention to the fact that the Plan was not an end in itself, and added: "The fundamental problem which remains is the final determination of Germany's reparation liabilities, and . . . it will be in the best interests of the creditor powers and of Germany alike to reach a final settlement by mutual agreement 'as soon', to use the concluding words of the Experts, 'as circumstances make this possible'."[3]

The operation of the Dawes Plan had thus brought it about that conditions were ripe for considering the remaining essential question, namely, the amount Germany was to pay.

During the operation of the Plan, and in the beginning certainly because of its acceptance, the political atmosphere had undergone notable changes. The London Conference on Reparation of July–August, 1924, was itself a great demonstration of improving conditions. Premiers Herriot of France and McDonald of Great Britain, the principal

[1] Department of Commerce, *American Underwriting of German Securities* (Trade Information Bulletin, No. 648). The total given by Germany (1924–29) is 7,062,200,000 Reichsmarks (Reparation Commission, *Official Documents*, XXIIA, p. 38).

[2] Reparation Commission, *Official Documents*, XVIII, p. 108.

[3] In his previous report of December 10, 1927, Mr. Gilbert had first raised the question when he wrote: "As time goes on and practical experience accumulates, it becomes always clearer that neither the reparation problem nor the other problems depending upon it will be finally solved until Germany has been given a definite task to perform on her own responsibility without foreign supervision and without transfer protection."

figures of that conference, attended the Assembly of the League of Nations in the following month and inspired the resolution which resulted in the elaboration of the Geneva protocol, which began a remarkable demonstration in favor of the pacific settlement of international disputes. In February, 1925, Germany made proposals that resulted in the elaboration and conclusion of the Locarno agreements on the following October 16. They came automatically into force in September, 1926, simultaneously with the admission of Germany to the League of Nations and with the cessation of any distinction between the antagonists of the Great War in the councils of the world.

On September 17, 1926, Aristide Briand, foreign minister of France, and Gustav Stresemann, foreign minister of Germany, took lunch in private at the little town of Thoiry outside Geneva. When the bill came there was a friendly rivalry between the two as to which should pay it. M. Briand finally took it with the argument: "You let me have this; you still have reparation to pay." During their cordial discussion, the question of the continued occupation of the Rhineland zones was brought up.

In these zones along the Rhine bank, Belgian, British and French troops were quartered under the terms of a treaty of June 28, 1919, which established an Interallied Rhineland High Commission for the administration of civil matters. American troops participated in the occupation until January, 1923. By the terms of Art. 429 of the treaty of Versailles, which defines the zones, that of the Cologne bridge to the north was to be evacuated in five years under normal circumstances. It was actually evacuated on February 28, 1926, considerably after the stipulated date of January 10, 1925. On January 10, 1930, the central zone of Coblenz was normally due for evacuation, and on January 10, 1935, the Mainz-Kehl zone would be due for evacuation. The continued occupation of German territory proved vexing to German opinion and was widely held in that country to be in contradiction with the friendly co-operation that has consistently increased since the Locarno agreements were made.

The evacuation of the zones, however, is, by the terms of the treaty of Versailles, conditioned upon the settlement of the reparation problem. As a consequence, the examination of the whole political relationship between Germany and the other parties to the treaty of Versailles was involved.

The whole problem was discussed for many months, informally and formally. While the principal statesmen of the countries concerned were in attendance at the ninth Assembly of the League of Nations in September, 1928, they debated this question in its final stages in private conferences at their hotels. On September 16, 1928, they were able to make the following statement for publication: [1]

At the conclusion of the third conversation which has taken place to-day, the representatives of Germany, Belgium, France, Great Britain, Italy and Japan are able to record with satisfaction the friendly conditions in which an exchange of views has taken place regarding the question under consideration. An agreement has been reached between them on the following points:

(1) The opening of official negotiations relating to the request put forward by the German Chancellor regarding the early evacuation of the Rhineland.

(2) The necessity for a complete and definite settlement of the reparation problem and for the constitution for this purpose of a committee of financial experts to be nominated by the six Governments.

(3) The acceptance of the principle of the constitution of a committee of verification and conciliation. The composition, mode of operation, object, and duration of the same committee will form the subject of negotiations between the Governments concerned.

[1] London *Times*, September 17, 1928, p. 14.

II. THE LIQUIDATION OF THE PROBLEM

1. The Committee of Experts, 1929

The Belgian, British, French, German, Italian and Japanese Governments on December 22, 1928, agreed upon the terms of reference [1] for the Committee of Experts which they had decided to establish three months before. The committee was to consist of independent financial experts who were to draw up "proposals for a complete and final settlement of the reparation problem," including "a settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor powers." The report was to be addressed to the six "inviting Governments" and to the Reparation Commission.

The Belgian, British, French, German, Italian and Japanese Governments designated experts to serve on the committee. The Reparation Commission and the German Government separately "invited" qualified Americans to serve, following an inquiry on behalf of the Governments as to the attitude of the United States Government respecting such service. The attitude of the Washington Government was made known by both the Secretary of State and the President, whose views were given as follows: [2]

> The President has already indicated . . . that the European Governments or the principal nations, including Germany, would like to secure the services of two Americans to join with the experts who are to be appointed by the European Governments, and the United States has reported to the European Governments that this Government has no objection to their taking that course. The President feels, however, that it should be emphasized that it is the European Governments that are making the appointments as well as the selection of the experts.
>
> The President would be more pleased if the European Governments would settle the question of reparations themselves. But

[1] See text of the terms in the Report of the Committee, p. 143.

[2] *United States Daily*, January 12, 1929, p. 2767.

if the European Governments feel that they need the assistance of some American, the President does not think it would be becoming in the United States Government, if persons are willing to serve as experts, that they should not be permitted to do so or rather that this Government would not give its consent to their doing so.

The Committee of Experts, 1929, differed in the nationalities represented in two respects from that of 1924. The Germans were included in the 1929 committee, which had the effect of making the consultation one between debtors and creditors. Japanese experts, who were not included in the 1924 committee, were members of the 1929 committee.

The 1929 committee included five members of the 1924 committee. These were: Owen D. Young, American; Sir Josiah Charles Stamp, British; Jean Parmentier, French; Alberto Pirelli, Italian, and Emile Francqui, Belgian. Two of the German experts, Hjalmar Schacht and C. Melchior, were almost equally familiar with the 1924 work, since Dr. Schacht, as president of the Reichsbank, had taken a prominent part in the organization of the Dawes Plan, and Dr. Melchior for many years had dealt responsibly with reparation problems. Other members of the 1929 experts were exceptionally familiar with the problems involved. Sir Charles S. Addis, British, had participated in organizing the Dawes Plan; Signor Fulvio Suvich had represented Italy's reparation interests; Thomas N. Perkins, American, had been the "delegation of the United States citizen member of the Reparation Commission" and was the chairman of the Tribunal of Interpretation between the Reparation Commission and the German Government; Thomas W. Lamont, American, had been adviser of the American delegation to negotiate peace at Paris in 1919.

The committee met on February 9, 1929, and signed its report on June 7, 1929. Owen D. Young was unanimously chosen chairman and acted in that capacity throughout the 17 weeks of continuous deliberation. He not only presided over the meetings, but shared the work of constructing

solutions of the problems.[1] When the creditor states had developed a scheme of annuities, the chairman consulted with the experts of the creditor countries and with the German experts, and their memoranda as revised, along with a memorandum of the chairman, were placed before the committee. "Finally the chairman prepared a new and independent plan in which these divergent views were brought closer together." Eventually, unanimous agreement was reached. On that record of negotiation is based a popular tendency to name the plan evolved the Young Plan after the chairman of the Committee of Experts. Formally, it is the first part of the New Plan.

Elements of the New Plan

The report of the committee of June 7, 1929, adds two essential elements to the solution of the reparation problem:

(1) It fixes the number and reduces the amount of the annuities to be paid by Germany "on her own untrammeled responsibility;"

(2) It removes the German reparation debt "from the sphere of inter-governmental relations" by making adequate provision for its liquidation in accordance with economic principles and, further, by its partial "commercialization."

The plan incidentally provides for several important developments:

(1) It calls for the establishment of the Bank for International Settlements to "provide additional facilities for the international movement of funds" in connection with reparation payments and otherwise, and "to afford a ready instrument for promoting international financial relations."

(2) It finally removes from Germany all politico-economic controls and assimilates the entire future mechanism of reparation payments to normal financial and economic principles.

[1] Mr. Young delivered a notably clear and frank address on the making of the Young Plan and its significance at the charter day exercises of the University of California, Berkeley, on March 24 (*New York Times*, March 25, 1930, p. 22 and *Congressional Record*, April 11 and 25, 1929).

(3) It abolishes all organs invented specifically for the collection and distribution of reparation, including the Reparation Commission, the Agent-General for Reparation Payments, and foreign commissioners supervising pledges representing security for Germany's liability.

(4) It abolishes the joint liability of Germany for any Austrian, Bulgarian or Hungarian indebtedness.

(5) It contemplates the eventual cessation of deliveries in kind, thus doing away with an artificial form of trade.

(6) It abolishes the "index of prosperity" which under the Dawes Plan would in the future increase or diminish the annuities.

(7) It establishes an equitable agreement between debtor and creditor groups by reduction "in the face value of payments due." In doing this the committee definitely based its decision upon the conviction that the best "basis of security" was "the solemn undertaking of the German Government, to which no further guaranty can add anything whatsoever."[1] On the other hand, the creditors are obtaining "improvements in intrinsic and available values which arise from the practicability and certainty of commercialization and mobilization within a reasonable period and in its attendant financial and economic psychology."[2]

In order to facilitate its work, the committee established no secretariat and kept no minutes. On the other hand, the greatest pains were taken to include in the report an adequate and accurate statement of every conclusion which prevailed with the committee and the reasons for its acceptance. Therefore, the Report of the committee presents cogently both the problems and the conclusions of the committee, in the setting of the facts of the reparation system from which it was bound to proceed. Its contents are analyzed below in connection with the completory and correlative decisions subsequently taken.

[1] Report, par. 101.
[2] *Ibid.*, par. 157.

2. First Conference of Governments

When the experts had made their report on the settlement of the reparation problem, the next move was up to the Governments, which had agreed at Geneva on September 16, 1928, to open negotiations on the questions of (1) the evacuation of the Rhineland, (2) the settlement of the reparation problem and (3) "the constitution of a committee of verification and conciliation." Those Governments — Germany, Belgium, France, Great Britain, Italy and Japan — took the initiative in inviting others concerned[1] to a conference which began at The Hague on August 6, 1929, and adjourned on August 31, to meet again January 3–20, 1930.

It was anticipated that the August meeting might adopt the procedure followed five years previously at London, when the requisite agreements were made and signed and automatically came into force, — by intervening ratification, passage of laws and development of regulations, — on a stipulated future date. Such a program was not realized. The question of a committee of verification and control was determined by an agreement signed on August 30, but was itself dependent upon the realization of the Young Plan. The evacuation of the Rhineland was arranged by exchange of notes and was begun without delay. Additional demands of the British Government occupied most of the time of the conference, resulting in some changes in the Young Plan and creating a situation which prevented the conference from completing its scheduled work. As a consequence, the Experts' Plan of June 7, was only accepted in principle by the protocol of August 31, rather than accepted outright.

The protocol and its annexes, which embody the agreements reached and the adjustments effected, were not made formal documents in August.[2] In fact, the confer-

[1] All Governments affected by the decisions to be taken. Those actually represented at each session are mentioned in the detailed account.

[2] Practically, however, they were executed as though in force, so far as the handling of funds was concerned.

ence as a consequence of the British demands had not been able to organize formally and did not elect a president until its final session, when it chose Henri Jaspar, Prime Minister of Belgium, who had opened the proceedings. This belated action was taken for the purpose of giving the protocol such a final character as was then possible and for providing machinery to continue the task. The protocol of August 31 and the annexes were signed only by the president and the secretary-general of the conference. The president was intrusted with the duty of appointing the committees required to complete the work, and the protocol provided that the conference was to reassemble at a date and place to be fixed by the president. The adjourned session met at The Hague January 3–20, 1930, when it gave authentic character to the reports of the committees and established the treaty character of the protocol of August 31.

The August Conference Meeting

The August 6–31 session of the Hague Conference was attended by the delegates of the German Reich, Belgium, the United Kingdom, Canada, Australia, South Africa, New Zealand, India, France, Greece, Italy, Japan, Poland, Portugal, Rumania, Yugoslavia, Czechoslovakia and of the United States — "in the capacity of observer and with specifically limited powers".[1]

Taking into account that the arrangements arrived at were not only to have a character of permanence but involved the decision of a large number of questions that previously had been relegated to the future, some delay was not surprising. Moreover, speed was in no wise facilitated by the attitude assumed at The Hague by the British delegation and particularly the Chancellor of the Exchequer, Philip Snowden.

Opposition to the Report of the Committee of Experts showed in London immediately after the text of the docu-

[1] Protocol of August 31, 1929, Sec. 1.

ment was available. In response to a query in the House of Commons, Philip Snowden, Chancellor of the Exchequer, stated on July 9 that "the loss entailed to this country by reason of the departure from the Spa percentages in the Young report amounts on average to approximately £2,400,000 [1] a year." Capitalized at 5½%, this was estimated to amount to £37,500,000. On July 26, replying to a speech by the Liberal leader, David Lloyd George, Mr. Snowden stated the British objections, which on analysis amounted to the following:

(1) Mr. Young's proposal as to German annuities when first made "aroused indignation in this country." [2] However, the differences between it and the final proposal "were differences of degree only."

(2) "The Government were willing to agree to the amounts which had been proposed for the German annuities," having "no desire to increase the amount of the claims which Germany might be called upon to pay."

(3) "We were given no appreciable share" of the non-postponable part of the annuities, practically all of which went to France and Italy.

(4) "No explanation and no attempt at justification had been given for revising" the British percentage as fixed at Spa, which for nine years had been agreed to "as governing the distribution of any revised scheme of reparation or annuities." [3]

(5) "We should just get, with the interest (*sic*) from our European debtors, enough to pay the future annual

[1] On July 26 he stated the figure to be £2,415,000, specifying that Italy got £1,840,000 of the British reduction. He continued by saying "the acceptance of the report reduced our share of the annuities by just under £2,500,000 a year." (*Parliamentary Debates*, 5th series, 229, col. 684, and 230, col. 1680.)

[2] In determining whether this indignation was justified or not, it should be observed that the proposal was accepted by the experts nominated by the British Government, who were known to be in close touch with their Government and who had the assistance at Paris of representatives of the British Treasury. It should further be noted that eight days before the signing of the Experts' Report at Paris a general election took place in Great Britain which resulted in an overturn of the Government.

[3] The British Spa percentage was 23.05%; the British percentage of average annuities under the Young Plan is 20.565%; the British percentage of total German annuities for the first 37 years is 19.494%, and the net British receipts for 59 years is 18.575% of the total German payments.

payments of interest (*sic*) to America. There would be no surplus to Great Britain." All other creditors "would have surpluses beyond their outgoings." This "did not give us the conditions we laid down, because there was already about £200,000,000 of difference between what we had paid to America and what we had received from our continental debtors." [1]

(6) As to deliveries in kind, which had a special "seriousness for an exporting country like our own," the Government could not agree, "unless . . . compelled to do so, to accept the proposals in the report."

(7) "They would have something to say in the conference upon the distinction which had been made upon the postponed and the unconditional annuities and the fact that we had no share at all in the unconditional annuities."

The British Demands

The session of the Hague Conference of August 6–31 was one of the most astonishing gatherings in postwar official history. At the outset of the conference, Philip Snowden, the British chancellor of the Exchequer, in a speech notable for lack of courteous form, demanded satisfaction of the British claims. "The objections of the British delegation appeared to come as a surprise to the conference," Mr. Snowden remarked afterward.[2] The essentials of the subsequent proceedings are given in Mr. Snowden's own words:

At the conclusion of my speech, it was moved that we should adjourn for two days to enable the delegates to recover from the shock. After two days, it was realized that no agreement was likely to be reached by formal debates. We refused to agree to the setting up of formal committees until we had received satisfaction on our three main points. It was agreed to set up a formal

[1] In a written reply to a parliamentary question, the Chancellor of the Exchequer stated that "the excess of the British payments to the United States Government over our aggregate receipts from allied debts and reparation up to March 31, 1929, was £145,925,000."

[2] The account of his national broadcast September 2, London *Times*, September 3, 1929, p. 14.

committee of treasury experts. For three days . . . these experts met, but made little progress. At no stage did . . . the other creditor powers make any offer. After a week of this futility, I addressed a letter to M. Jaspar [the presiding officer]. I said, "The time has come for a definite decision; I expect this within the next two days.". . . Two days later we received from them a letter setting forth their offer . . . so meager as to be wholly unacceptable. This I communicated to M. Jaspar, and from that time onward the meetings became hectic. The meetings of the conference were still suspended. . . . For days things dragged on. Private interviews continued, and occasional meetings of the heads of the principal powers. On Thursday, the 22d, . . . the other four creditor nations . . . decided to make a fresh offer. Toward midnight M. Jaspar called on me . . . [He] was informed that it was quite unacceptable . . . I addressed to M. Jaspar a communication asking that we should have the proposals of the other creditor powers in a final definite form in writing without further delay.

Substantial progress it is true had been made on the political side, the agreement to which was almost complete provided a settlement could be reached on the financial side. The matter of deliveries in kind . . . had also made some progress, though our requirements had not been completely met. On the financial side, however, the position was the same as it had been for two weeks. . . . In these circumstances, the British delegation decided to ask that afternoon for the summoning by the six inviting powers of the plenary conference on the following morning.

This meeting, which marked the turning point in the fortunes of the conference, assembled at 5 o'clock. Each delegation outlined its own point of view at some length. . . . The room was insufferably hot, and it was suggested that we might adjourn for ten minutes to get some fresh air. We split into little groups, and then the bargaining process began. The British delegates remained in one room while the others went into another room. M. Jaspar acted as intermediary. M. Jaspar returned within five minutes to say that his friends would advance only 66%. I at once rejected this. . . . Half an hour later (9.15 P.M.) he returned with another offer which showed some advance, but was still unacceptable. I begged him to continue his efforts and pointed out that . . . at the same rate he would come up to the minimum demands before midnight. He returned in a quarter of an hour with a further advance of £50,000. "You are doing first rate,

M. Jaspar," I said, "be not weary in well doing." In the next two or three hours further small advances were made, and by 11.30 they had come within £240,000 of the British claims. M. Jaspar was in despair. "I can not do more," he said, "you have emptied all our pockets." "Go through your pockets again," I said very kindly, "and I am sure that you can find enough to cover what remains between us." "You told me you had a very kind heart," he said, "and we have never met a man like you." I assured him that it was out of the kindness of my heart that I wished him to continue his efforts as I was sure that he would succeed. Then some one had a brain wave, and the hitherto undiscovered means of giving us the sum we needed was discovered. At midnight our demands were accepted.

The original British demands were an addition of £2,400,000 to its annuities, a larger share of the unconditional annuities, and some substantial improvement in regard to deliveries in kind.

According to the British interpretation of the figures, an increase of £2,000,000 a year in the annuities for 37 years was obtained. A guaranty was given as to £990,000 by the French and Belgian Governments and as to £450,000 by Italy, or £1,440,000 guaranteed from other creditors. A lump sum of £5,000,000 (100,000,000 marks), "equal to an additional annuity of £360,000 a year," was obtained out of the payments due by Germany in the last five months of the fifth Dawes annuity, in which there is a surplus over the Young Plan requirements of 300,000,000 marks. Gains in interest from readjustment of dates at which debt payments are to be made were credited by the British as representing a gain for them of £200,000 a year. Mr. Snowden stated that 90% of these sums "are guaranteed and are therefore placed in the category of unconditional annuities." He added that "this may be regarded as full compensation for the small sacrifice we made in the total of our original demands."[1]

On the second point, the British Empire was assigned

[1] The quotations are from Mr. Snowden's broadcast, as cited, which was in the nature of a report to the people of Great Britain.

55,000,000 gold marks as its share of the unconditional part of the annuities under the Experts' Report.

On the third point, deliveries in kind, Great Britain secured an undertaking by Italy to purchase from Great Britain 1,000,000 tons of coal a year for three years, thus reducing the demand for German coal on reparation account.

3. Elimination of Sanctions

The resolution of September 16, 1928, dealt with two other questions besides reparation, which were referred to the political committee of the conference. The Hague protocol of August 31 states "that on all the political questions on the agenda of the conference an agreement has been come to between the powers interested." In its session of August 29, Arthur Henderson of the British delegation as rapporteur read a unanimous report on those questions. In presenting the report he expressed the hope "that to-day we are taking decisions which will mean that from now henceforward the World War, with its divisions, with its hatreds, and with the clashes of conflicting interests which it left behind will soon be no more than an evil memory. The path is opening before us for the constructive work of building up the common welfare and prosperity of our peoples upon the firm foundation of stable and enduring peace." The report was unanimously adopted, after a notable series of speeches, by the conference.[1]

The political committee of the conference completed the solution of the question raised under par. 3 of the Geneva agreement by an agreement formally signed at The Hague on August 30. The question was that of substituting a means of verifying and conciliating questions which might arise under the new conditions. It should be appreciated that the treaty of peace with Germany was a document which accorded the allied and associated states various abnormal privileges and entitled them to take sanctions. The victors in modifying the system by mutual agreement

[1] Texts in London *Times*, August 30, 1929.

with Germany were unwilling simply to abolish such rights. The question of the "committee of verification and conciliation" consequently resolved itself into a question of method by which the examination of differences as to the execution of German obligations in the Rhineland could be examined under the normal conditions of peace. The Hague conference solved the problem by extending the scope of the Locarno arbitration treaties to all questions concerning the evacuation of the Rhineland territory.[1] It is to be noted that the agreement provides for the use of the Belgo-German and Franco-German conciliation commissions of the Locarno agreements for this purpose, but that the agreement of August 30 itself was signed by the Italian and British representatives as well. No provision is made for the conciliation of questions between those two countries and Germany.

The agreement reads as follows: [2]

The undersigned duly authorized:

Having taken note of the notes annexed hereto[3] which have been exchanged between the Belgian, British and French Governments of the one part and the German Government of the other part with a view to the evacuation of the Rhineland territory occupied by the Belgian, British and French troops,

Note the agreement which has been arrived at on this question,

Note, also, that in order to facilitate in the common interest a friendly and practical settlement of any difficulty which may arise between Belgium and Germany or between France and Germany concerning the observance of Arts. 42 and 43 of the treaty of Versailles, the German, Belgium and French Governments have agreed that the task of settling amicably any such difficulty shall be accomplished by the commissions set up under the arbitration agreements concluded at Locarno on October 16, 1925, by Belgium and by France with Germany. These commissions will act in conformity with the procedure laid down and with the rights accruing under these conventions.

If any such difficulty should arise, it will be submitted either

[1] See *The Locarno Conference*, this Series, IX, No. 1, p. 55, 60.

[2] *International Agreement on the Evacuation of the Rhineland Territory*, p. 2–3 (Miscellaneous No. 7 (1929), Cmd. 3417). Only the English text is here reprinted.

[3] See p. 33.

to the Belgo-German Conciliation Commission or to the Franco-German Conciliation Commission, according to whether the difficulty arises between Belgium and Germany or between France and Germany.

This agreement does not in any way affect the general provisions applicable in such case and in particular is subject to the reservation that the powers of the Council and Assembly of the League of Nations to make investigations under Art. 213 of the treaty of Versailles remain intact. It is also subject to the understanding that each of the powers who signed the treaty concluded at Locarno on October 16, 1925, between Germany, Belgium, France, Great Britain and Italy retains the right to lay any difficulty at any time before the Council of the League of Nations in conformity with Art. 4 of that treaty.

The present agreement and the arrangements relating to the acceptance in principle of the Plan of June 7, 1929, are mutually interdependent.

Done at The Hague, the 30th day of August, 1929.

STRESEMANN. ARTHUR HENDERSON.
PAUL HYMANS. ARISTIDE BRIAND.
DINO GRANDI.

This agreement does not extend obligations. It is in effect a reenactment of the Locarno treaty of mutual guaranty by which the demilitarized zone on both banks of the Rhine is declared inviolable. The agreement, however, points to a more definite use of conciliation commissions than the treaty of guaranty and the arbitration conventions of Locarno, which afford a considerable choice of method for settling disputes. Under the agreement, the commission may be invoked in the first instance.

By Art. 213 of the treaty of Versailles, Germany undertakes to give every facility for any investigation which the Council of the League of Nations may consider necessary as to the status of its military preparations. The agreement preserves intact the rules for this exercise of the right of investigation which have been determined by a series of Council resolutions of September 27, 1924, March 14, 1925, and December 11, 1926. [1]

[1] League of Nations, *Official Journal*, V, p. 1592, 1658; VI, p. 610; VIII, p. 162.

End of Rhineland Occupation

The question of the evacuation of the Rhineland was settled in the course of the Hague Conference as forecast by the agreement of September, 1928. Possession of the occupied zones was taken "as a guaranty for the execution" of the treaty of Versailles. A finding by the Reparation Commission "that Germany refuses to observe the whole or part of her obligations . . . with regard to reparation" was stated by Art. 430 of the treaty as cause for the immediate reoccupation of the zones during or after the initial periods. On the other hand, Germany's compliance "with all the undertakings resulting from" the treaty would call for a withdrawal.

The occupied regions were divided into three zones, consisting of the German territory west of the Rhine and bridgehead areas to the east of a 50-kilometer radius from them. All told, 20,927 square miles of German territory was in occupation at the beginning. By Art. 429 of the treaty of Versailles, the Cologne zone on the north was to be evacuated January 10, 1925. It was actually delayed to begin December 1, 1925, and was completed by February 28, 1926. The second, or Coblenz zone, was due to be evacuated January 10, 1930, and the Mainz-Kehl zone in the south by the same date in 1935.

For many reasons Germany had been anxious since the Locarno Conference in 1925 to have the two remaining zones evacuated without regard to the treaty limitations of time. The admission of the principle in September, 1928, resulted in an exchange of letters on August 29 at The Hague between the Belgian, British and French delegates, representing the occupying states, and the German delegate. Each of the occupying Governments appended to their collective note a note stating the details of the evacuation.

A financial question was involved, since the expenses of the occupation were met by Germany through the reparation system and the circumstances of the occupation had

resulted in a vast number of claims and counter claims under the treaty of June 28, 1919, which provides for the meeting of the expenses of the occupation and establishes the Inter-Allied Rhineland High Commission, which performed the functions of civil government in the occupied zones. The financial arrangement agreed upon consisted of establishing a fund of 60,000,000 Reichsmarks, of which Germany was to contribute outright 30,000,000 [1] and the three occupying states so much of the other 30,000,000 as proved to be necessary. The 50% contribution of the occupying states was to be divided: France 35%, Great Britain 12%, Belgium 3%. An additional amount of 6,000,000 Reichsmarks was also paid by Germany toward the "expenses of the commissions and organizations under the Dawes Plan covered hitherto by the Dawes annuities." [2]

The troops remained at about the same figure since June 15, 1928, when the strengths amounted to:

		Troops.
Second zone, Coblenz	British	6,760
	Belgian	5,553
Third zone, Mainz-Kehl	French	54,751

By the notes, the second zone was evacuated by December 14, 1929, and the third zone by June 30, 1930. The British arranged a skeleton scheme providing for the evacuation within 86 days from "zero hour," which was fixed as September 14. The Belgian evacuation of the second zone was effected between September 16 and November 25. The French removed material from September 16–October 15, and all troops from the second zone between October 16 and November 30. After 1920, French troops were in considerable number in the Saar Basin, where the mines were allocated to France by the treaty and which is governed by a commission appointed by the Council of the League of Nations. The removal of the French troops from the Saar in 1926 resulted in the establishment of a railroad guard of 600 men assigned by

[1] The German payment was made and credited in October, 1929.

[2] Hague Protocol of August 31, 1929, Annex III, Art. II.

Belgium, Great Britain and France from the German occupied zones. In October, the British withdrew their Saar contingent in connection with the evacuation of the second zone.

The third zone was entirely occupied by the French troops. The notes exchanged provided for its evacuation to begin "immediately after the ratification by the German and French parliaments and the entrance into force of the Young Plan." Complete evacuation "in any case will be effected at the latest within a period of eight months, and it shall not extend beyond the end of June, 1930."

The exchange of notes of August 30, 1929, providing for this action closed a chapter of postwar history and reestablished normal nonmilitary relations along the Rhine. The documents, which represent an essential phase of the settlement of the Great War's problems, are as follows: [1]

Joint Note to Dr. Stresemann

Secretariat-General, The Hague,
August 30, 1929.

Your Excellency,

In the course of the proceedings of the Political Commission of the Conference at The Hague the three Occupying Powers have agreed to begin the evacuation of the Rhineland during the month of September on the conditions laid down in the attached notes. The withdrawal of the Belgian and British forces will be completed within three months of the date on which the operation of evacuation begins. The French forces will evacuate the Second Zone within the same period. The evacuation of the Third Zone by the French troops will begin immediately after the Young Plan is ratified by the German and French Parliaments and put into operation. It will proceed without interruption as rapidly as physical conditions permit, and in any case will be completed at the latest in a period of eight months terminating not later than the end of June, 1930.

[1] *International Agreement on the Evacuation of the Rhineland Territory*, p. 4, 16 (Miscellaneous No. 7 (1929), Cmd. 3417). Only the English text is here reprinted.

Belgian, French and British notes attached determined details of the evacuation. The Interallied Rhineland Commission established its headquarters at Wiesbaden pending the evacuation of the third zone. An agreement between the commission and the German commissioner of the Rhineland occupied regions determined the northern boundary of the third zone on September 30, 1929 (*Official Gazette*, X, Nos. VIII–X, p. 6).

In order to enable the Belgian, British and French troops to complete the evacuation within the periods indicated above, it is necessary that the Government of the Reich should take the measures laid down in the annexed notes mentioned above. We should be greatly indebted to Your Excellency if you would let us know if you are in agreement with regard to these measures.

We avail ourselves of this opportunity to renew to Your Excellency the assurance of our highest consideration.

PAUL HYMANS.
ARTHUR HENDERSON.
ARISTIDE BRIAND.

DR. STRESEMANN TO THE MINISTERS OF FOREIGN AFFAIRS OF BELGIUM, GREAT BRITAIN AND FRANCE

(Translation)

GERMAN DELEGATION,
SCHEVENINGEN, August 30, 1929.

Your Excellencies,

I have the honor to acknowledge the receipt of Your Excellencies' note of to-day's date which you have addressed to me in the name of your Governments.

The German Government take note of the declaration made by the Belgian, British and French Governments regarding the evacuation of the Rhineland, in accordance wherewith evacuation will commence during the month of September. The Belgian and British troops will be completely withdrawn within a period of three months dating from the beginning of the evacuation operations. The French troops will evacuate the second zone within the same period. The evacuation of the third zone by the French troops will take place immediately after the ratification of the Young Plan by the German and French Parliaments and the entry into force of the Plan. Evacuation will be effected without interruption, and as speedily as physical conditions permit, at the latest within a period of eight months, which, however, may not extend beyond the end of June, 1930.

At the same time I have the honor to confirm to Your Excellencies the agreement of the German Government to the provisions contained in the three inclosures in your note dealing with certain questions connected with the evacuation.

STRESEMANN.

Agreements effected by letters exchanged on August 4, 1929, between the Conference of Ambassadors and the German ambassador at Paris brought an understanding on the character of railroad construction in the Rhineland [1] prior to the evacuation. The Conference of Ambassadors had long contended that various German railroad structures or undertakings in the territory demilitarized by the Locarno treaty of guaranty were planned on a strategic basis. By the letters exchanged on August 4, it was recorded:

(1) That the new station at Jülich to replace one built in 1870 was to be reconstructed according to plans made in 1928 so as "exclusively to meet the local requirements and traffic;" and

(2) That the Osterthal Railroad "for 12 years at least would have the technical character of a local railroad (*Kleinbahn*)."

The Conference of Ambassadors took note of a series of declarations by the German ambassador in a letter of July 17 respecting the destruction or modification of new construction in the Ahr Valley, largely relating to the length of loading platforms. In taking note of their letter "the interested Governments in no wise renounce eventually making use of the rights accruing to them under Art. 43 of the treaty of peace" with respect to railroad structures "at any point in the demilitarized zone which in their eyes would constitute a violation of the said Art. 43."

4. Final Session of Conference

The interval between the meetings of the Hague conference was devoted to preparation of the Plan for entrance into force. The protocol of August 31 stipulated that the president of the conference should appoint committees whose formation was not otherwise provided for and for his receiving the reports of all committees. The committees at work in the interval numbered seven and were as follows:

[1] *Le Temps*, December 19, 1929, p. 1.

(1) Organization Committee of the Bank for International Settlements, Baden-Baden, October 3–November 13, 1929.

(2) Committee on delivery in kind, Paris, September 16–November 30, 1929.

(3) Committee on ceded properties, liberation debts, and final settlement under the treaties of St. Germain, Trianon, and Neuilly, Paris, September 16–November 30, 1929.

(4) Committee on liquidation of the past, Paris, September 16–November 22, 1929.

(5) Adaptation of the system of controlled revenues to the New Plan, Annex I to the final protocol signed at London, August 16, 1924;[1] report submitted November 19, 1929.

(6) Adaptation of the German law on the Reichsbank of August 30, 1924;[2] report submitted November 12, 1929.

(7) Adaptation of the German law concerning the German Railway Company of August 30, 1924;[3] report submitted November 19, 1929.

It fell to M. Jaspar to summon a Committee of Jurists to draft the reports of the committees into legal texts for embodiment in the final protocol. The Committee of Jurists began work on December 10. Following the completion of its task, the Governments concerned examined its drafts in preparation for sending delegates to the reconvened conference.

[1] Reparation Commission, *Official Documents*, Vol. XIV, p. 131.

The report is printed in *Entwurfe zu den Gesetzen über die Haager Konferenz und die Sonder- und Liquidationsabkommen*, Sechster Teil, p. 2. The assigned revenues must amount to 150% of the highest budgetary contribution, that is, 150% of 1,768,800,000 Reichsmarks, or 2,653,200,000 Reichsmarks. The report is substantially Annex VII of the agreement of January 20, *ibid.*, Erster Teil, p. 154, and *Agreements*, p. 67.

[2] The law and subsidiary legislation were texts prescribed by one of the organization committees under the Dawes Plan. The texts affected are in *ibid.*, p. 167, especially 179.

The report is printed in *Entwürfe zu den Gesetzen*, Sechster Teil, p. 6; it is substantially Annexes V and VA of the agreement of January 20, *ibid.*, Erster Teil, p. 94 and 102, and *Agreements*, p. 40.

[3] *Ibid.*, p. 225, especially 234.

The report is printed in *Entwürfe zu den Gesetzen*, Sechster Teil, p. 32; it is substantially Annexes VI and VIA of the agreement of January 20, *ibid.*, Erster Teil, p. 104, and *Agreements*, p. 45.

German Nationalist Opposition Defeated

The German Nationalist Party expressed opposition to the Young Plan even before it was published. They sought to defeat it by seeking a referendum on a law relating to the so-called war-guilt controversy, the occupation of German territory, and the payment of reparation. A preliminary petition having been properly signed, the Government was constitutionally bound to submit it to voters for the requisite 10% of their signatures. In doing this, the cabinet issued the following communiqué:[1]

> The Government of the Reich, in agreement with the immense majority of the German people, knows that improvement in the external situation can not be imposed by a German law. It can only be attained by negotiations with the associates of Germany. The Government will not refuse to give the plebiscite the guaranties accorded by the Constitution, but it will combat any attempt at recourse to inappropriate methods which are only calculated to aggravate internal dissension.

Despite this statement, 4,137,164 persons, or 10.08%, of the electorate signed the petition for the passage of the following bill:[2]

> (1) The German Government shall notify all foreign powers immediately and solemnly that the extorted acknowledgment of war guilt in the treaty of Versailles is contrary to historical truth; is based on false premises and is not binding in international law.
>
> (2) The German Government shall use all endeavors to secure the annulment of the war guilt acknowledgment contained in Art. 231 and Art. 429 and 430 of the treaty of Versailles. It shall also undertake to secure the immediate and unconditional evacuation of the occupied German territories, without any remaining control commissions, independently of the acceptance or the rejection of the decisions of the Hague conference.
>
> (3) No further financial burdens or obligations based on the war guilt acknowledgment shall be assumed, inclusive of those

[1] *Le Temps*, October 2, 1929.

[2] *New York Times*, November 13, p. 11.

arising from the recommendations of the Paris reparation experts and the subsequent agreements.

(4) The chancellor and ministers or representatives of the Reich who lend their signatures to agreements contrary to the provisions of par. 3 shall render themselves liable to prosecution for high treason.

(5) This law enters into force at the moment of its proclamation.

The Reichstag rejected the bill overwhelmingly on November 30, the vote being 312 to 82 on the first three sections and 312 to 60 on the fourth. As a consequence of this rejection a plebiscite was held on December 22, in which 50% of the 41,278,897 registered voters would have had to cast ballots to enact the measure as law.[1] Only 5,828,082, or 13.8%, one fourth of the required number, voted at all and only 337,320 of the electorate took the trouble to vote against the proposal.

Another diversion in Germany excited some outside interest and created a change in the German Cabinet. Dr. Hjalmar Schacht,[2] president of the Reichsbank and principal German expert on the Young Committee, on December 5, 1929, published a memorandum [3] addressed to the Government in which he criticized the current financial position. Asserting that he wrote on the basis of his personal responsibility for the success of the Plan as one of its drafters, he called attention to circumstances which he regarded as compromising the possibilities of its success. He sought to show that the allocation of surplus in the transition period, the Belgo-German agreement respecting the so-called Belgian marks, the adjustment of the non-postponable portion of the annuity and other decisions of

[1] The Reichstag Electoral Court decides after a plebiscite whether the question requires the affirmative vote of a majority of electors (in this case 21,055,587) as a modification of the Constitution or a poll of that number only as a rejection of a Reichstag decision.

[2] An address delivered by the President of the Reichsbank at a meeting of the Deutsche Industrie-und Handelstag on Friday, June 28, 1929, entitled *The Paris Conference of the Experts* (Berlin, Druckerei Der Reichsbank) shows the speaker's early reaction to the subject.

[3] Text in *L'Europe Nouvelle*, December 21, 1929, p. 1744.

the Hague protocol of August 31 had involved new charges on Germany at a time when its financial ability was weakest and that the concessions had not been reciprocal. He criticized the German financial ministry's conduct of the budget. He asserted that, though the German experts at Paris proceeded on the assumption that the Reich would put its financial affairs permanently in order and alleviate "the internal situation of German production so as to make possible support" of the heavy charges of the Young Plan, nothing had in fact been done. On the other hand, "the national German economy is not facing a decrease, but an increase of charges." The Government in a communiqué called Dr. Schacht's memorandum inopportune, but it stated that fiscal reform was to receive immediate attention. In the end lassitude respecting budgetary reform was tacitly admitted by the resignation of the finance minister and a responsible subordinate official and the supersession of Herr Hilferding by Paul Moldenhauer as finance minister.

Final Documents of the Conference

The second session of the Hague conference ran from January 3 to January 20, 1930, and resulted in the signing of an extensive series of documents by which the Governments represented formally accept the terms of the settlement originally provided for by the Geneva agreement of September 16, 1928. The signing of the documents completed nearly 12 months of continuous work by the Committee of Experts, 1929, seven organizing committees, a committee of jurists, and two sessions of the conference. Every essential phase of the reparation problem was dealt with: Relations of creditors to the German, Austrian, Bulgarian and Hungarian debtors, adjustment and closing of all outstanding accounts, the relinquishment of political controls and the substitution therefor of economic apparatus, including the establishment of new international economic machinery. The work which remained consisted

of matters of detail and of implementation,[1] the principles for which had been laid down.

The second session of the conference was organized by the inviting Governments, Germany, Belgium, France, Great Britain, Italy and Japan, the group which had taken the initiative in reaching the Geneva agreement of September, 1928. Governments which attended the previous session were Australia, Canada, Czechoslovakia, Greece, India, New Zealand, Poland, Portugal, Rumania, South Africa, Yugoslavia and the United States, as previously, "in the capacity of observer and with specifically limited powers." New attendants were representatives of Austria, Bulgaria and Hungary. Altogether, 21 Governments were represented.[2] All principal delegations included members of ministerial rank in the national cabinets.

The preparation which had been made enabled the second session of the conference to proceed rapidly to acceptable conclusions. Unexpected delays, however, occurred, and the delegates worked under a pressure of other engagements which some of them had to keep. The international calendar was particularly crowded in January. The 58th session of the Council of the League of Nations had been set for January 20, the same date which had been chosen for the opening of the conference of the five dominant naval powers at London. It had been advanced to the 13th, and various delegates at The Hague found it necessary to attend it. The second session at The Hague, therefore, opened with the hope that the work could be completed by January 11 or 12 and at any rate the delegates were determined to finish by January 20. This piling up of events served to keep the delegates in a mood for the rapid dispatch of the business in hand.

The conference was organized into committees on

[1] The transfer of the functions of the existing organizations to the Bank for International Settlements was intrusted to a special committee composed of two members of the Organization Committee for the bank, representatives of the German Government, the Agent General for Reparation Payments and the Reparation Commission and an equitable representation of Belgium, British Empire, France, Italy, Japan and (if desired) the United States.

[2] India, South Africa and the United States did not sign the Final Act nor any other documents.

German reparation and non-German reparation, the Committee of Jurists, already functioning, continuing to serve the conference as a whole. A subcommittee of treasury experts of the six inviting states was also appointed. In the course of the proceedings, the chairmen and members of the organizing committees were present and gave appropriate aid.

The entire settlement covered a tremendous area, ending several dozen controversies which had served to disturb or even embitter relations between some of the parties. The substance of the agreements is indicated in these pages, and the Appendix contains the most essential documents. The far-reaching character of the decisions of the Hague conference may be exhibited by listing the agreements arrived at, which are bound together by the Final Act of the Hague conference of January 20, 1930. Rearranged on that listing they are:

With Germany

1. Letters of August 30, 1929, relating to the evacuation of the Rhineland[1] (exchange of notes and Belgian, French and English inclosures).

2. Agreement as to Locarno commissions of conciliation, The Hague, August 30, 1929.

3. Protocol approved at the plenary session of the Hague conference, August 31, 1929, with financial agreement, agreement regarding deliveries in kind, agreement upon the transition period and agreement upon costs of occupation annexed[2]; the foregoing covered into the Final Act.

4. Agreement of January 20, 1930, on the final acceptance of the Plan of the Committee of Experts of June 7, 1929[3]; with 12 annexes:

[1] Printed *supra*, p. 33, from British Parliamentary Paper, Cmd. 3417, Misc. No. 7, 1929.

[2] Permanent portions printed *infra*, p. 188.

[3] Printed *infra*, p. 192, from *Agreements concluded at the Hague Conference January, 1930*, Parl. Pap., Misc. No. 4 (1930), Cmd. 3484.

I. Exchange of declarations [1];
II. Measures of transition;
III. Debt certificate of the German Reich [2];
IV. Certificate of the Deutsche Reichsbahn-Gesellschaft;
V. Revision of the German bank law;
VI. Amendment of the law and statutes of the Deutsche Reichsbahn-Gesellschaft [3];
VII. Assignment by way of collateral guaranty of revenues of the Reich to meet service on the German external loan, 1924;
VIII. Form of Trust Agreement [4];
IX. Regulations for deliveries in kind;
X. Agreement of Berlin, January 2, 1930, for amending administration of the British Reparation Recovery Act and agreement of The Hague, January 18, 1930, for amending administration of the French Reparation Recovery Act;
XI. Securities for the German external loan, 1924;
XII. Arbitration rules of procedure.

5. Arrangement relating to the concurrent memorandum accompanying the Experts' report, January 20, 1930 [5]; with concurrent memorandum annexed.

6. Convention respecting the Bank for International Settlements; Constituent Charter and Statutes annexed.[6]

7. Arrangement as to the financial mobilization of the German annuities.

8. Transitory provisions.

9. Financial agreement with Belgium, Brussels, July 13, 1929.[7]

10. Agreement on the amnesty evacuation, Coblenz, October 5, 1929.[8]

11. German-American debt agreement.[9]

[1] Printed *supra*, p. 46.

[2] Printed *infra*, p. 232.

[3] See further the exchange of notes in *Agreements*, p. 139.

[4] Printed *infra*, p. 220.

[5] Printed *infra*, p. 239.

[6] Printed *infra*, p. 203.

[7] See p. 135. The reservation of Belgium (Report, par. 51) was, as a result of this agreement, formally retired by exchange of notes of January 16, 1930 (*Agreements*, p. 140).

[8] *Entwürfe zu den Gesetzen*, p. 321.

[9] Printed *infra*, p. 243. An exchange of notes on behalf of the other creditors and Germany of January 20, 1930 (*Agreements*, p. 134) is printed at p. 44.

12. Liquidation agreements [1] on property, rights and interests: with Belgium (Berlin, July 13, 1929, and Brussels, January 16, 1930); with Poland (Warsaw, October 31, 1929); with Great Britain and Northern Ireland [2] (London, December 28, 1929); with France (Paris, December 31, 1929); with Canada (The Hague, January 14, 1930); with Australia (The Hague, January 17, 1930); with New Zealand (The Hague, January 17, 1930); with Italy (The Hague, January 20, 1930).

13. Agreement between the creditor states respecting Germany, January 20, 1930.[3]

With others [4]

Agreement with Austria, January 20, 1930.

Agreement with Bulgaria, January 20, 1930.

Agreement with Hungary, with annexes embodying general agreement relating to the agrarian fund and fund B, etc. (Put in final form by conference at Paris beginning February 5, 1930.)

Agreement with Czechoslovakia, January 20, 1930.

Arrangement between the creditors respecting Austria, Hungary, Bulgaria, and liberation debts, January 20, 1930.

The final act provides that the New Plan enters into force when the Reparation Commission[5] and the president of the German Kriegslastenkommission (War Burden Commission) have determined that:

(*a*) Germany has ratified and has promulgated its laws for reorganization of the German railways and the Reichsbank;

(*b*) The New Plan has been ratified by four of the following five states: Belgium, France, Great Britain, Italy and Japan;

(*c*) The Bank for International Settlements is established,

[1] *Entwürfe zu den Gesetzen*, fünfter Teil.

[2] British Parliamentary Paper, Misc. No. 3 (1930), Cmd. 3486.

[3] *Agreements*, p. 142.

[4] *Agreements*, p. 146–172.

[5] The vote of the Reparation Commission shall be taken in accordance with the treaty of Versailles and shall include the vote of Japan. The joint determination of the Reparation Commission and the Kriegslastenkommission will be notified to the signatory parties.

has accepted the duties assigned to it and received the certificate of indebtedness from the German Government and the certificate from the German railways.[1]

The New Plan is substituted retroactively for the Dawes Plan as from September 1, 1929.

Special Decisions of the Conference

The proceedings at The Hague went off smoothly; the decisions will be better understood when discussed in connection with their subject matter. Nevertheless, a number of points which were discussed should be mentioned.

It was agreed, after a lengthy and complicated consultation of experts from the Young committee membership, on reparation in general and on banking, that German monthly payments should be made on the 15th instead of the 30th, the date having been left blank in the draft trust agreement and then determined in the certificate of indebtedness.

Germany agreed that foreign loans on behalf of the Government or its nationals should not be sought before October, 1930, thus leaving a clear field for the issuance to the public of a first *tranche* of mobilizable bonds.

The German-American agreement initialed on December 28, 1929, accepted Germany's full faith and credit as the only security and guaranty for the obligations involved. At The Hague, Germany circulated the agreement with a view to getting this formula accepted by its other creditors. The result was an exchange of notes between the German foreign minister and the president of the conference in which the former made and the latter acknowledged the following statement:[2]

> The German Government will not exercise in relation to any one of the creditor powers the rights of postponement which it possesses under the agreements already signed or initialed without exercising at the same time any similar rights which it may possess in relation to all the other powers whose claims are included in the annuities, as set out in the Experts' report of June 7,

[1] Trust Agreement, Art. II, *b* and *c*.

[2] *Agreements*, p. 134.

1929. Moreover in the future the German Government will not, in connection with postponement, give any special advantage to any one of those powers.

Nothing contained herein-above shall be construed as impairing in any way Germany's rights and obligations under the agreements already signed or initialed.

The German Nationalist plebiscite and the change of the finance minister in December started a reaction in France among those not inclined to trust Germany any farther than necessity requires. It was argued in the French Chamber and in the press that evacuation of the occupied regions permanently deprived France of its "gage" for payment, while the plebiscite campaign suggested to some the possibility that the German Nationalists might repudiate the whole Plan settlement in case they came to power. It was, therefore, argued that the continued application of Art. 430 of the treaty of Versailles should be recorded. By that article, after expiration of the period of occupation and in case it is found "that Germany refuses to observe the whole or part of her obligations under the present treaty with regard to reparation, the whole or part of the areas specified in Art. 429 will be reoccupied immediately by the allied and associated forces." Outside of certain French circles the conviction prevailed that the raising of the point was gratuitous, since, without anything being said, the treaty provision would slumber without disturbing any one, and its resurrection would not be precluded if the remote possibility of German repudiation of the settlement should occur. But once the question was raised, it was necessary to allay any French distrust which existed and to find a formula which expressed the trust felt by the conference in the German Government's willingness to keep its pledges. [1]

[1] Raising the question was technically justified by the abolition of the Reparation Commission and the supersession of the agreement of August 30, 1924, to amend Part VIII, Annex II, par. 16, of the treaty of Versailles (*Reparation*, Part VI, p. 262). By this amendment a German default under the Dawes Plan could be established by a majority of the Reparation Commission only if confirmed by the Tribunal of Interpretation. Action following such a decision was to be joint, thus preventing such isolated "sanctions" as the Ruhr incident. The abolition of the Reparation Commission by the New Plan thus left a remote possibility of political intervention under improbable circumstances.

The solution of this final "sanction" problem was intelligent. The powers of the creditor states toward Germany under the régime of the New Plan will be determined by it.[1] In separate declarations both sides faced the hypothetical possibilities and prescribed judicial review of them before action. As these notes close the long chapter of irresponsible suspicion in Franco-German relations, they are quoted:

I. The representatives of the Belgian, British, French, Italian and Japanese Governments make the following declaration:

The New Plan rests on the principle that the complete and final settlement of the reparation question is of common interest to all the countries which this question concerns and that the Plan requires the collaboration of all these countries. Without mutual good will and confidence, the object of the Plan would not be attained.

It is in this sense that the creditor Governments have, in the Hague agreement of January, 1930, accepted the solemn undertaking of the German Government to pay the annuities fixed in accordance with the provisions of the New Plan as the guaranty for the fulfilment of the German Government's obligations. The creditor Governments are convinced that, even if the execution of the New Plan should give rise to differences of opinion or difficulties, the procedures provided for by the Plan itself would be sufficient to resolve them.

It is for this reason that the Hague agreement of January, 1930, provides that, under the régime of the New Plan, the powers of the creditor powers shall be determined by the provisions of the Plan.

There remains, however, a hypothesis outside the scope of the agreements signed to-day. The creditor Governments are forced to consider it without thereby wishing to cast doubt on the intentions of the German Government. They regard it as indispensable to take account of the possibility that in the future a German Government, in violation of the solemn obligation contained in the Hague agreement of January, 1930, might commit itself to actions revealing its determination to destroy the New Plan.

It is the duty of the creditor Governments to declare to the

[1] Agreement with Germany, Art. IV. The notes are Annex I to that document and as reprinted below are from *Agreements*, p. 28.

German Government that, if such a case arose, imperilling the foundations of their common work, a new situation would be created in regard to which the creditor Governments must, from the outset, formulate all the reservations to which they are rightfully entitled. However, even on this extreme hypothesis, the creditor Governments, in the interests of general peace, are prepared, before taking any action, to appeal to an international jurisdiction of incontestable authority to establish and appreciate the facts. The creditor power or powers which might regard themselves as concerned would, therefore, submit to the Permanent Court of International Justice the question whether the German Government had committed acts revealing its determination to destroy the New Plan.

Germany should forthwith declare that, in the event of an affirmative decision by the Court, she acknowledges that it is legitimate that, in order to insure the fulfilment of the obligations of the debtor power resulting from the New Plan, the creditor power or powers should resume their full liberty of action.

The creditor Governments are convinced that such a hypothetical situation will never in fact arise and they feel assured that the German Government shares this conviction. But they consider that they are bound in loyalty and by their duty to their respective countries to make the above declaration in case this hypothetical situation should arise.

II. The representatives of the German Government, on their side, make the following declaration:

The German Government takes note of the above declaration of the creditor Governments, whereby, even if the execution of the New Plan should give rise to differences of opinion or difficulties in regard to the fulfilment of the New Plan, the procedures provided for in the Plan would be sufficient to resolve them. The German Government takes note, accordingly, that under the régime of the New Plan the powers of the creditor powers will be determined in accordance with the provisions of the Plan.

As regards the second part of the declaration and the hypothesis formulated in this declaration, the German Government regrets that such an eventuality, which for its own part it regards as impossible, should be contemplated. Nevertheless, if one or more of the creditor powers refer to the Permanent Court of International Justice the question whether acts originating with the German Government reveal its determination to destroy the New Plan, the German Government, in agreement with the creditor Gov-

ernments, accepts the proposal that the Permanent Court should decide the question, and declares that it acknowledges that it is legitimate, in the event of an affirmative decision by the Court, that, in order to insure the fulfilment of the financial obligations of the debtor power resulting from the New Plan, the creditor power or powers should resume their full liberty of action.

The French, German and English texts of the present Annex shall be equally authoritative.

Curtius.	Henri Chéron.
Wirth.	Loucheur.
Schmidt.	A. Mosconi.
Moldenhauer.	A. Pirelli.
Henri Jaspar.	Suvich.
Paul Hymans.	Adatci.
E. Francqui.	K. Hirota.
Philip Snowden.	

Dr. Hjalmar Schacht, president of the Reichsbank, and its vice-president, Herr F. Dreyse, created a temporary difficulty. In a letter dated December 31 read to the meeting of the Organization Committee of the Bank at The Hague on January 13, they stated that the Reichsbank's participation in constituting the Bank for International Settlements must be subordinated to certain conditions. They wanted to be sure that Germany would be treated "on a footing of moral equality" at The Hague, especially respecting sequestrated property in England[1] and the elimination of "political sanctions." They wished to await the final decisions of the conference and approval by the Reichstag before engaging the Reichsbank to subscribe capital. The statement was referred to the delegations. By the Reichsbank law in force, the president is not removable until 1932,[2] a provision inserted to insure his independence of the Government of the Reich in connection with the Dawes Plan. The delegations representing the Governments responsible for that provision indicated to

[1] See text of agreement of December 28, 1929, British Parliamentary Papers, Cmd. 3486.

[2] Reichsbank law, § 6, Reparation Commission, *Official Documents*, XIV, p. 181.

their German colleagues their willingness to have it altered. The German delegation summoned the presidents of other suitable banks to take up with them their participation in the capital of the Bank for International Settlements. Meanwhile, the German Government had decided to revise the law so as to place Dr. Schacht under the control of the Government. A communiqué issued by the German Government on January 14 read: [1]

In tomorrow's session of the conference, the German delegation will take the necessary steps to guarantee by legal measures the participation of the Reichsbank in the international bank and the assistance of the Reichsbank in the work of the international bank. We learn that the president of the Reichsbank, in a talk with Finance Minister Moldenhauer, declared that it went without saying that in that case he would not try to avoid the resulting obligations. Thus, the participation of the Reichsbank is assured. In a later conference between the president of the Reichsbank and the four German delegates, complete agreement was reached on this point.

[1] Press of January 15.

III. ESTABLISHMENT OF ANNUITIES

The Committee of Experts, in their effort to reach a definite decision on the German debt began work from the basis of the standard annuity of the Dawes Plan of 2,500,000,000 Reichsmarks (any change to be determined by the index of prosperity not being yet in effect).

Before the committee met at all, discussion of reparation was usually premised on the assumption that the standard Dawes annuity would be scaled down at a new attempt to put the question on a final basis. Several features of the set-up pointed to possibilities for reducing that annuity. The cost of maintaining troops in the Rhineland occupied zones was a temporary charge. The expense of the allied reparation machinery — the Reparation Commission, the organization of the Agent-General, etc., — was not necessarily fixed. The German external loan of 1924, which will be liquidated by sinking fund in 1949, could be serviced independently. In the fifth annuity year ending August 31, 1929, under the Dawes Plan, army costs, commission expenses and loan service amounted to 311,000,000 gold marks. The net reparation payment was, therefore, somewhere around 2,200,000,000 Reichsmarks.

As no extended minutes of the committee were kept or published, the course of the proceedings can be ascertained only from the final published report, which does not undertake to give details in regard to the course of the proceedings. Fragmentary reports appeared in the public press from time to time, but they did not purport to be exhaustive and are consequently not reliable sources of information. Therefore, it is not attempted to give a detailed account of the proceedings of the committee, or the reasons which influenced it in reaching its decisions. Only the definite conclusions are available, but the Report of the Committee in Part V gives a clear summary of the "course of the proceedings." [1]

[1] See p. 148.

It seems to be an accurate statement, however, that the first two months of the proceedings of the committee were devoted largely to hearing explanations of the situation that existed in Germany and the preparation of a plan for the Bank for International Settlements.[1] Beginning in April, various proposals of definite figures were put forward. One by the Germans (which has never been published in full) was rejected by the creditor states, partly because the figures were deemed inadequate and partly because the creditors claimed that it contained political conditions beyond the scope of the committee's authority, although this was denied by the Germans. After other proposals had been made by the creditor states, which were not acceptable to the Germans, the chairman of the committee undertook, with the assent of all concerned, to do what he could toward reconciling the different proposals. His proposals resulted eventually in the adoption of the schedule of annuities appearing in the report, which was accepted by all parties.

The proposals were worked out on the basis of German payments over a period of 59 years, which about corresponds to the remaining period of the payments under the inter-governmental debt agreements refunding debts owed to the American and British Governments. They divided this period into two parts, the first running for 36 years and seven months — the time required to amortize a capital sum bearing 5% interest by means of a 1% sinking fund — and an additional period of 22 years, in which they made no claim for reparation payments, but only for such sums from Germany as were required to meet their own debt agreements. The schedule of annuities is as follows:

[1] For a detailed and authentic account of the proceedings read Thomas W. Lamont, "The Final Reparations Settlement," *Foreign Affairs*, VIII, p. 343–348.

Schedule of Annuities

			Reichsmarks	
36 German fiscal years	1	7 months	Sept. 1, 1929–March 31, 1930	742,800,000
	2	April 1, 1930–March 31, 1931	1,707,900,000	Constant annuity, 37 years, 1,988,800,000[1]; Dawes loan service to be added.
	3	April 1, 1931–March 31, 1932	1,685,000,000	
	4	April 1, 1932–March 31, 1933	1,738,200,000	
	5	April 1, 1933–March 31, 1934	1,804,300,000	
	6	April 1, 1934–March 31, 1935	1,866,900,000	
	7	April 1, 1935–March 31, 1936	1,892,900,000	
	8	April 1, 1936–March 31, 1937	1,939,700,000	
	9	April 1, 1937–March 31, 1938	1,977,000,000	
	10	April 1, 1938–March 31, 1939	1,995,300,000	
	11	April 1, 1939–March 31, 1940	2,042,800,000	
	12	April 1, 1940–March 31, 1941	2,155,500,000	
	13	April 1, 1941–March 31, 1942	2,180,700,000	
	14	April 1, 1942–March 31, 1943	2,198,000,000	
	15	April 1, 1943–March 31, 1944	2,194,300,000	
	16	April 1, 1944–March 31, 1945	2,207,500,000	
	17	April 1, 1945–March 31, 1946	2,203,800,000	
	18	April 1, 1946–March 31, 1947	2,199,500,000	
	19	April 1, 1947–March 31, 1948	2,215,200,000	
	20	April 1, 1948–March 31, 1949	2,210,000,000	
	21	April 1, 1949–March 31, 1950	2,316,800,000	
	22	April 1, 1950–March 31, 1951	2,359,200,000	
	23	April 1, 1951–March 31, 1952	2,343,200,000	
	24	April 1, 1952–March 31, 1953	2,346,200,000	
	25	April 1, 1953–March 31, 1954	2,353,300,000	
	26	April 1, 1954–March 31, 1955	2,364,600,000	
	27	April 1, 1955–March 31, 1956	2,359,800,000	
	28	April 1, 1956–March 31, 1957	2,354,200,000	
	29	April 1, 1957–March 31, 1958	2,361,800,000	
	30	April 1, 1958–March 31, 1959	2,393,800,000	
	31	April 1, 1959–March 31, 1960	2,370,600,000	
	32	April 1, 1960–March 31, 1961	2,380,500,000	
	33	April 1, 1961–March 31, 1962	2,398,300,000	
	34	April 1, 1962–March 31, 1963	2,390,200,000	
	35	April 1, 1963–March 31, 1964	2,402,600,000	
	36	April 1, 1964–March 31, 1965	2,402,100,000	
	37	April 1, 1965–March 31, 1966	2,428,800,000	

[1] Includes the payments to the United States; less those payments it is 1,922,700,000 Reichsmarks for 37 years and 1,887,300,000 for 59 years (*Entwürfe zu den Gesetzen*, p. 331).

Payments Subject to Special Provisions

			Reichsmarks
22 German fiscal years	38	April 1, 1966–March 31, 1967	1,607,700,000
	39	April 1, 1967–March 31, 1968	1,606,900,000
	40	April 1, 1968–March 31, 1969	1,616,700,000
	41	April 1, 1969–March 31, 1970	1,630,000,000
	42	April 1, 1970–March 31, 1971	1,643,700,000
	43	April 1, 1971–March 31, 1972	1,653,900,000
	44	April 1, 1972–March 31, 1973	1,662,300,000
	45	April 1, 1973–March 31, 1974	1,665,700,000
	46	April 1, 1974–March 31, 1975	1,668,400,000
	47	April 1, 1975–March 31, 1976	1,675,000,000
	48	April 1, 1976–March 31, 1977	1,678,700,000
	49	April 1, 1977–March 31, 1978	1,685,400,000
	50	April 1, 1978–March 31, 1979	1,695,500,000
	51	April 1, 1979–March 31, 1980	1,700,400,000
	52	April 1, 1980–March 31, 1981	1,711,300,000
	53	April 1, 1981–March 31, 1982	1,687,600,000
	54	April 1, 1982–March 31, 1983	1,691,800,000
	55	April 1, 1983–March 31, 1984	1,703,300,000
	56	April 1, 1984–March 31, 1985	1,683,500,000
	57	April 1, 1985–March 31, 1986	925,100,000
	58	April 1, 1986–March 31, 1987	931,400,000
	59	April 1, 1987–March 31, 1988	897,800,000

Features of the Annuities

Some of the more important features of this plan as distinguished from the Dawes Plan are as follows:

First: The standard Dawes annuities are materially reduced and this is especially true over the period of the first ten years, thereby affording Germany an opportunity to consolidate its economic and financial position.

Second: The index of prosperity is abolished.

Third: The industrial debentures and the railway bonds are extinguished, though a tax upon the railways substantially equivalent to the amounts to be received from the railway bonds is substituted therefor.

Fourth: The Reparation Commission and all its agencies including the office of the Agent General are abolished.

The annuities are frequently referred to as having certain

present values. In Paris a present value of 32,885,000,000 Reichsmarks was cited in the press and debates in the French Chamber. In the Annual Report of the Secretary of the Treasury of the United States a present value of 31,172,000,000 Reichsmarks is given,[1] and other sums have likewise been cited. Present value is determined by the mathematical solution of a formula in which the interest rate and the frequency of payments are important factors. The higher the interest rate to be compounded the lower the present value becomes. Present values have been figured by Governments in connection with the Young Plan on a 5½% interest basis. Differences in amounts given are usually due to varied assumptions as to frequency of payment. Annual, semiannual or monthly payments will give different present values. For instance, at the second session of the Hague conference it was brought out that payment of monthly quotas on the 15th instead of the 30th of each month would add 5,000,000 Reichsmarks annually to the receipts of the creditors.

Since present value is only properly employed for providing a basis of comparison between a continuing payment or receipt and a current asset or potential asset, the German computation of present value ought to be of interest. The total payments for 37 years, less the Dawes loan service, is given in the German Reichstag report [2] as 30,950,000,000 Reichsmarks ($7,357,100,000) at 5½% and at 33,750,000,000 Reichsmarks ($8,032,500,000) for 59 years.

The recommendations of the Committee of Experts provide that of each annuity 660,000,000 Reichsmarks (increased by 13,800,000 Reichsmarks by the Hague protocol) be made over unconditionally, that is, "payable without any right of postponement in foreign currencies by equal monthly instalments." This amount includes the service of the German external loan 1924, which is not comprised in the average annuity. This part of the annuity gives the creditors a nonpostponable certainty and

[1] *Annual Report of the Treasurer of the United States for the Fiscal Year ended June 30, 1929*, p. 53.

[2] *Entwürfe zu den Gesetzen*, p. 331.

provides a foundation for servicing reparation bonds when commercialized and marketed.

The totals of the first 37 annuities (but not their annual averages) include the service of the German 7% 25-year external loan of 1924, which is due for extinction October 15, 1949. This service, which amounted to 89,315,000 Reichsmarks in the fifth Dawes year, is averaged for the 37 annuity years of the New Plan at 61,800,000 Reichsmarks.[1] It should be noted that the security originally pledged by Germany for the service of the loan remains unaffected in any way by the adoption of the New Plan.[2]

The annuities are graduated upward from year to year from 1931–32, and in 1948–49 amount to 2,210,000,000 Reichsmarks. In the year 1949–50 — the first in which the service of the loan is not required — the annuity rises to 2,316,800,000, and thence forward for 16 years slight annual additions are made. The annuities are graduated through 36 German fiscal years from a first amount of 1,707,900,000 Reichsmarks to a final annuity of 2,428,–800,000 in the fiscal year ending March 31, 1966, averaging 1,988,800,000 Reichsmarks, exclusive of Dawes loan service. Thereafter to the year ending March 31, 1988, the payments match the "out-payments" which the creditors are due to make under agreements refunding inter-governmental indebtedness at present in force with respect to them. These 22 annuities show a sharp decline in amount as compared with the preceding 37. For the year 1965–66, the last of the first period, the annuity is 2,428,800,000; the annuity for 1966–67, the first year of the "out-payments" period, is 1,607,700,000, a decrease

[1] Some misunderstanding has occurred because of references to the loan service on an average cost basis for the period of 37 years. The loan is a 25-year loan, liquidating by annual amortization payments with consequent interest charge reductions. The actual cost of the payments for the remaining 20 years of the loan's life were adjusted to the 37 years of the Young Plan for the purposes of comparative computations, 61,800,000 Reichsmarks being the average annuity. This average is a factor in the amount of the nonpostponable part of the Young annuity, which otherwise amounts to 612,000,000 Reichsmarks. In 1929–30 the actual cost of Dawes loan service is some 88,500,000 Reichsmarks, so that the amount of the nonpostponable annuity in that year is about 700,000,000 Reichsmarks. On the other hand, in 1949–50 and thereafter the nonpostponable part of the annuity will not include any factor for service of this loan.

[2] For the guaranties of the loan see the Trust Agreement, Arts. II(d), IV(a) and XI(a) 1.

of 821,100,000. From 1966–67 to 1987–88, this group of annuities rises to 1,711,300,000 in 1980–81, falls to 1,683,-500,000 in 1984–85, and for the last three years falls very rapidly to only 897,800,000 in 1988.

Amount and Distribution of Annuities

The annuities as fixed by the Committee of Experts go for two main purposes, reparation and the "out-payments," which are dealt with in detail subsequently. During the period from September 1, 1929, to March 31, 1966, when both reparation and "out-payments" are to be made, Germany is due to turn over a total of 79,485,100,000 Reichsmarks;[1] until March 31, 1988, for the "out-payments" alone, plus the American claims, an additional 34,422,600,000 Reichsmarks is to be paid, making a total transfer in the 59 years of 113,907,700,000 Reichsmarks.

It will be interesting to summarize the entire payments to be made by the German Government from the beginning to the end of reparation. The following summary is derived from official Reparation Commission figures, the reports of the Agent-General, and the annuity schedules of the Committee of Experts, 1929:

	Reichsmarks
Value of ceded property	2,553,905,000
Years 1920 and 1921	3,970,835,000
Year 1922	1,402,686,000
Ruhr period, January 11, 1923–August 31, 1924	894,231,000
First annuity, September 1, 1924–August 31, 1925	1,000,255,000
Second annuity, September 1, 1925–August 31, 1926	1,223,157,000
Third annuity, September 1, 1926–August 31, 1927	1,502,283,000
Fourth annuity, September 1, 1927–August 31, 1928	1,755,097,000
Fifth annuity, September 1, 1928–August 31, 1929	2,508,057,000
September 1, 1929–March 31, 1966	79,485,100,000
April 1, 1966–March 31, 1988	34,422,600,000
	130,718,206,000
	($31,123,382,000)

The annuity for the first 37 years under the New Plan may be divided as follows:

[1] The total of the quotas in Annex VII. The annuities add up to 2.4 millions less due to simpler "rounding off."

Year	Reparation	Out-Payments	Total
1	742.8	—[1]	742.8
2	742.8	965.1	1,707.9
3	742.7	942.3	1,685.0
4	742.8	995.4	1,738.2
5	667.9	1,136.4	1,804.3
6	667.9	1,199.0	1,866.9
7	668.0	1,224.9	1,892.9
8	667.9	1,271.8	1,939.7
9	643.0	1,334.0	1,977.0
10	642.8	1,352.5	1,995.3
11	667.8	1,375.0	2,042.8
12	667.9	1,487.6	2,155.5
13	742.8	1,437.9	2,180.7
14	742.9	1,455.1	2,198.0
15	742.8	1,451.5	2,194.3
16	742.8	1,464.7	2,207.5
17	742.9	1,460.9	2,203.8
18	742.6	1,456.9	2,199.5
19	742.9	1,472.3	2,215.2
20	742.9	1,467.1	2,210.0
21	855.3	1,461.5	2,316.8
22	855.3	1,503.9	2,359.2
23	855.3	1,487.9	2,343.2
24	855.1	1,491.1	2,346.2
25	855.2	1,498.1	2,353.3
26	855.2	1,509.4	2,364.6
27	855.3	1,504.5	2,359.8
28	855.1	1,499.1	2,354.2
29	855.1	1,506.7	2,361.8
30	855.2	1,538.6	2,393.8
31	855.2	1,515.4	2,370.6
32	855.1	1,525.4	2,380.5
33	855.1	1,543.2	2,398.3
34	855.2	1,535.0	2,390.2
35	855.2	1,547.4	2,402.6
36	855.3	1,546.8	2,402.1
37	855.1	1,573.7	2,428.8
	28,745.2	50,738.1	79,483.3

[1] Out-payments of 863,100,000 Reichsmarks for the year ending March 31, 1930, not included in the tabulation (see Plan, Part 8, pars. 83, 84, 93).

The annuities for the remaining 22 years are for "out-payments" only, except for 612,000,000 Reichsmarks payable to the United States. Arranged on the basis of the preceding table those payments are:

Year	Fiscal Year	Reparation	Out-Payments	Total
38	1966–67	–	1,607.7	1,607.7
39	1967–68	–	1,606.9	1,606.9
40	1968–69	–	1,616.7	1,616.7
41	1969–70	–	1,630.0	1,630.0
42	1970–71	–	1,643.7	1,643.7
43	1971–72	–	1,653.9	1,653.9
44	1972–73	–	1,662.3	1,662.3
45	1973–74	–	1,665.7	1,665.7
46	1974–75	–	1,668.4	1,668.4
47	1975–76	–	1,675.0	1,675.0
48	1976–77	–	1,678.7	1,678.7
49	1977–78	–	1,685.4	1,685.4
50	1978–79	–	1,695.5	1,695.5
51	1979–80	–	1,700.4	1,700.4
52	1980–81	–	1,711.3	1,711.3
53	1981–82	–	1,687.6	1,687.6
54	1982–83	–	1,691.8	1,691.8
55	1983–84	–	1,703.3	1,703.3
56	1984–85	–	1,683.5	1,683.5
57	1985–86	–	925.1	925.1
58	1986–87	–	931.4	931.4
59	1987–88	–	897.8	897.8
			34,422.6	34,422.6

If we turn to the creditors, we find that the receipts due to each country amount to totals as follows:

(Millions of Reichsmarks)

	Receipts, 1929–66	Receipts, 1966–68	Total
France	42,233.8	17,279.2	59,513.0
British Empire	15,495.5	5,662.4	21,157.9
Italy	9,060.5	7,888.3	16,948.8
Belgium	4,553.1	1,165.6	5,718.7
Rumania	906.1	923.4	1,829.5
Yugoslavia	3,345.0	497.9	3,842.9
Greece	284.7	213.4	498.1
Portugal	518.3	180.4	698.7
Japan	511.0	–	511.0
Poland	19.4	–	19.4
United States	2,557.7	612.0	3,169.7
	79,485.1	34,422.6	113,907.7

The "out-payments" in the first 37 years, 50,738,100,000 Reichsmarks, and in the succeeding 22 years, 33,810,600,000 Reichsmarks, together amount to 84,548,700,000 Reichsmarks ($20,112,590,000), or 74.2% of the entire payments due from Germany. If we further add all the American receipts to the "out-payments," we find that a total of 87,718,400,000 Reichsmarks, or 77%, of the total German payments is devoted to "out-payments" and American claims and only 23% to reparation. In the first 37 years the strictly reparation payments represent 32.9% of the total.

Adjustments between Annuity Years

In one aspect the Young Report presented a solution simpler than the reality. Omitting the service cost of the German loan, the difference between the average annuities in the first 37 years and the total which Germany is called upon to pay in that period is about 3,700,000,000 Reichsmarks. The apparent discrepancy is accounted for by a careful examination of the distribution of the annuities

by countries,[1] where it will be perceived that the annual payments to each country do not correspond with the average, which was regarded as the standard. Special claims under the reparation system, out-payment requirements and other considerations call for adjustments. All such conditions had to be further adjusted to estimates of Germany's annual ability. Germany's average payments, if maintained in the first nine years, would amount to 17,899,200,000 Reichsmarks; as a matter of fact they amount to 15,354,700,000. The deficit of 2,544,500,000 from the average was carried forward to subsequent years for payment on a present value basis. The annual deficiencies in the nine years are:

1929–30	1,246.0
1930–31	280.9
1931–32	303.8
1932–33	250.6
1933–34	184.5
1934–35	121.9
1935–36	95.9
1936–37	49.1
1937–38	11.8

This amount is deferred with respect to the creditors as follows:

France	1,561.2
British Empire	489.6
Italy	386.0
Belgium	118.1
Rumania	43.1
Serbia	112.7
Greece	3.8
Portugal	11.2
Japan	11.4
Poland	.8
United States	26.8

Owing to the exigencies of the various states, however, these deficiencies vary considerably as to the individual

[1] See p. 179.

years. The British Empire and Greece permanently go above the assigned average after four years, the United States after eight years,[1] France after nine, Belgium after 10, Italy and the other creditors after 12. It can be seen from these facts that there was a double present value adjustment. Amounts had to be thrown forward to meet both the German capacity to pay and to meet the requirements of the creditors. The highly technical details of this double procedure are available to the Bank for International Settlements for the accurate management of the annuities. The adjusted payments are shown year by year in the amounts due to each creditor under the annuity table.[2]

Adjustments for Transitional Period

Determination of the date from which the New Plan was to run resulted in an interesting and simplifying compromise. When the Dawes Plan was prepared, there was much uncertainty as to when it could be put into effect. The proceedings of the year 1924 made it possible, by a very complicated series of documents, to bring it into operation on September 1 of that year. When the Agent-General for Reparation Payments began his duties, he found that that fiscal year was awkward with respect to the German fiscal year, which runs from April 1 to March 31. As a consequence, each of the Dawes annuities came from the budgets of two German fiscal years. Some complication of accounts resulted. It also happened that the parts of the Dawes annuities earmarked for commercialization — the railway bonds and the industrial debenture bonds — were issued on a 5% yield and 1% amortization basis, which would retire them in 36.72 years. The fraction is substantially seven months, and the discrepancy between the Dawes annuity year and the

[1] The deferments of the United States draw interest at 3½% until paid (*Annual Report of the Secretary of the Treasury*, 1929, p. 55) as to armies of occupation, which may indicate the rate in other cases. The American claims quotas will bear 5% interest if deferred.

[2] See p. 179.

German fiscal year — September to April — is seven months. For the sake of simplification, as a concession to the Germans and also to bring the Dawes Plan to an end and the New Plan into operation at the earliest possible moment, it was decided that the New Plan should be substituted for the Dawes Plan on September 1, 1929. By this arrangement, the one plan succeeded the other without delay, and the entire reparation scheme was made to synchronize with the fiscal year of the debtor Government.

The two plans, however, overlap. During the five months April–August, 1929, the Dawes Plan schedule was in effect. The German fiscal year April 1, 1929, to March 31, 1930, thus included payments under both plans. The Committee of Experts provided for the allocation of 1,605,900,000 Reichsmarks in that fiscal year. The schedule in Par. 86 of the Report shows the seven-month payment for reparation alone amounting to 742,800,000 Reichsmarks. The allocation of the year's receipts is dealt with in Part 8, par. 4 (par. 83), of the report which provides "that the payments made under the Dawes Plan from April 1–September 1, 1929, after allowing for the external loan, should be treated as payments necessary to cover the requirements of the creditor nations during this transition period, including out-payments for the year ending March 31, 1930." A subsequent schedule (par. 93) shows indicated "out-payments" in that German fiscal year amounting to 863,100,000 Reichsmarks.

Some transitional adjustment of these items was effected by the protocol of August 31, 1929. The creditors by Annex III, Art. I, of the protocol agreed to apply the Young Plan to their receipts from September 1, 1929. During the period, October–December, 1929, the Agent-General for Reparation Payments and the German Government cooperate in "maintaining the rights" of the creditors. These arrangements were continued for the intervening months.

The Young Plan suggested that the receipts of the first

five months of the fifth Dawes year should be treated under the distribution scheme of the New Plan. A surplus resulting from such treatment was left for settlement and adjustment between the Governments, after the service of the Dawes loan and the requirements of the creditors, "including out-payments for the year ending March 31, 1930," were met. The accounts of the Agent-General on August 31, 1929, showed a cash balance of 237,058,972 Reichsmarks with 24,166,667 Reichsmarks still due on the transport tax and 55,000,000 Reichsmarks for railway bond service in September. The surplus to be adjusted therefore amounted to some 316,225,639 Reichsmarks, plus interest accrued at distribution.

Of this sum, 23.05% would have gone to the British Empire automatically under the Spa percentages. As a result of the Hague conference in August, 100,000,000[1] Reichsmarks, or about 31.7%, was awarded to Great Britain, "together with her receipts under the Dawes Plan, to cover in full her net debt outgoings [366,600,000 Reichsmarks] during the year ending March 31, 1930," and current costs of occupation. Part of the same adjustment was that Italy and Greece received the stipulated out-payment sums, 107,800,000 and 5,300,000 Reichsmarks respectively, for the year ending March 31, 1930, while Germany, Great Britain, Italy and Japan forewent any claim to the remaining surplus.

The Young Plan indicated that the out-payments applicable to the year ending March 31, 1930, amount to 863,100,000 Reichsmarks. Allocation by the Hague protocol of British, Italian and Greek quotas left 383,400,000 Reichsmarks of the total. Rumanian, Yugoslav and Portuguese requirements amount to 21,900,000 Reichsmarks, leaving France with 338,100,000 Reichsmarks and Belgium with 23,400,000 Reichsmarks, or 361,500,000 Reichsmarks as compared with the surplus of 216,225,639 Reichsmarks remaining in the April–August accounts of

[1] Raised to 102,000,000 by arrangement between the creditors of January 20, and charged to excess receipts of states other than Great Britain (see note to Report, Annexes, par. 192, *infra*, p. 186).

the Dawes Plan after the assignment of 100,000,000 to the British Empire. In return for the assignment to them of the remaining surplus, "the Belgian and French Governments guarantee without reserve the payment to Great Britain" of additional annuities of 19,800,000 Reichsmarks for 37 years, representing the income of 396,000,000 Reichsmarks capital at 5%.

The British demand at the Hague conference for additional receipts resulted in a further adjustment which was met by Italy. The Italian Government "guarantees to Great Britain without reserve a further annuity of 9,000,000 Reichsmarks for 37 years" (180,000,000 Reichsmarks capital at 5%). This guaranty is arranged by applying "in favor of Great Britain a part of the claims to which Italy is entitled under the agreements of September 10, 1919, and December 8, 1919." The agreements referred to[1] were between the states engaged in the war against the Austro-Hungarian monarchy. Italy as a state acquiring territory formerly a part of that monarchy "agrees on account of such acquisition to be debited against her approved claims for reparation under the treaties of peace" an amount proportionate to the debit of the other succession states. Poland, Rumania, Yugoslavia and Czechoslovakia were to pay an aggregate of 1,500,000,000 gold francs[2] toward the expenses of liberating the territories transferred to them by Austria and Hungary. Italy's debit was a ratio of that sum corresponding to the ratio between the average revenues of the acquired territories for the years 1911–13 and the average revenues of the territories acquired by those other states in the same years.

Special United States Position

The United States Government for various reasons found itself in 1929 in a special position. By the German-American treaty of August 25, 1921,[3] restoring friendly

[1] Treaties, Conventions, etc., of the United States, III, p. 3301, 3305.

[2] The gold franc is 19.3 cents, or 5.1816 to the dollar.

[3] Treaties, Conventions, etc. . . . United States, III, p. 2596.

relations Germany undertook to accord to the United States "all the rights, privileges, indemnities, reparations or advantages" specified in a Congressional resolution and including also its rights and advantages under the treaty of Versailles. By an agreement of August 10, 1922,[1] a German-American Mixed Commission was established to determine German liability for American claims arising since July 31, 1914, resulting from German seizures of property; claims for loss or damage since the same date incurred as a consequence of the war; and debts owing to American citizens by the German Government or its nationals. These three categories of claims involved settlement for damages incurred while the United States was both a neutral and a belligerent. The resulting commission, while it made free use of the precedents of the mixed arbitral tribunals established under the treaty of Versailles and other treaties of peace, did not create awards payable by Germany under the reparation clauses of the treaty of Versailles.

Following the participation of the United States in the London conference for putting the Dawes Plan into force, representatives of Belgium, France, Great Britain, Italy, Japan, the United States, Brazil, Greece, Poland, Portugal, Rumania, Serb-Croat-Slovene State and Czechoslovakia met at Paris, and on January 14, 1925, signed an agreement regarding the distribution of the Dawes annuities. At that time the United States asserted its claim to be considered a creditor of Germany. By Art. 3 of the agreement[2] provision was made for the payment out of the Dawes annuities of a specified sum to repay the costs of the United States army of occupation from 1919 to January, 1923, and a percentage of the Dawes annuities at a certain point in the distribution was assigned to the United States to meet its other claims. In the five years of the Dawes Plan the United States received under these two heads 298,950,289 Reichsmarks. The total United States army costs were

[1] Treaties, Conventions, etc, , , . United States, III, p. 2601.

[2] *Reparation*, Part VI, p. 279.

originally determined as $292,663,435,[1] an amount reduced by 1923 to a net of $247,865,645. An agreement of 1923 and the operation of that agreement reduced the amount to approximately $194,000,000 as of September 1, 1929. On that date the total claims awards were on estimate about $257,000,000. The indicated total due was, therefore, $451,000,000 in round numbers.

Under the Young Plan the annuity shares assigned to the United States run through the initial period of 37 years and 15 years of the out-payment period, amounting to a total of 3,169,700,000 Reichsmarks. The payments accepted under the schedule "are intended to repay to the United States in full the amount of the awards made by the Mixed Claims Commission, United States and Germany, and to reimburse the United States for the costs of its Army of Occupation."[2] The President in his annual message to Congress of December 3, 1929, said: "In finding a basis for settlement it was necessary for the Committee of Experts to request all the Governments concerned to make some contribution to the adjustment, and we have felt that we should share a proportion of the concessions made." The reduction on army costs amounts to 10% of the original amount, or $29,266,000.

The United States did not choose to receive its annuities under the 1929 Committee of Experts' Plan on the same basis as the other creditors of Germany, in part due to the different conditions which maintain respecting this debt. On the other hand, the Washington Government had not yet formally negotiated any agreement with Germany, the fulfilment of which would formally and legally discharge that country from the obligations involved. The United States was not disposed to accomplish the last condition by becoming a contracting party to the decisions of the Hague conference.

The agreement initialed December 28, 1929, fixes the annual German payment on account of mixed claims at

[1] *Report of the Secretary of the Treasury*, 1928, p. 95.

[2] Letter of Ogden L. Mills, Undersecretary of the Treasury, September 5, 1929.

40,800,000 Reichsmarks through the German fiscal year ending March 31, 1981. The annual payments for occupation costs range between 16,400,000 and 35,300,000 Reichsmarks through the fiscal year ending March 31, 1966, an average of 25,300,000 Reichsmarks for 37 years. The payments are to be made semi-annually instead of monthly as under the Young Plan, and in other respects the arrangement conforms to details of the debt-funding agreements of the United States, including payment at the Federal Reserve Bank of New York for the account of the United States Treasury. (The United States undertakes not to capitalize the certificates of indebtedness.) Germany may make prepayments, and possible deferment of payments for 2½ years, instead of two years, is provided for on 90 days' notice.[1]

By Par. 4 of the agreement, the United States agrees to accept the full faith and credit of Germany as the only security and guaranty for the fulfilment of Germany's obligations. An accompanying exchange of notes records that this places Germany in the same position in this respect as principal debtors of the United States under the existing debt-funding agreements. At the second session of the Hague conference, the chairman, by request of the German Government and with the knowledge of the American observer, distributed texts of the agreement to his colleagues. This article called forth some debate and became a precedent affecting the arrangements between the other creditors and Germany, respecting the final arrangement on guaranties.[2]

Source of the Annuities

The source of the amounts which Germany is to pay on the recommendations of the Committee of Experts is largely the same as under the Dawes Plan, but fundamental changes in the mechanism of collection justify the asser-

[1] The precedent for this deferment period occurs in the debt-funding agreement between Greece and the United States.

[2] See p. 44 for the resulting exchange of notes and p. 243 for text of the German agreement with the United States.

tion that the New Plan restores German financial autonomy and leaves to that country "the obligation of facing her engagements on her own untrammeled responsibility." The Dawes Committee of Experts selected portions of the Government's sources of income, created special controls or supervisions over them, and assigned fixed amounts of their product to make up the annuity. That committee adapted this plan as closely as possible at the time to the ordinary machinery of governmental fiscal operations. The net result was not unfamiliar in international finance, amounting to a series of pledged revenues placed under the supervision of commissioners representing the creditors.

The object of the Young Committee of Experts was to remove such supervision and to advance the payment of reparation by Germany to a position where it could be effected solely on the credit of the debtor. The New Plan is less precise than the Dawes Plan in its designation of the source of German revenues for reparation account, as is natural when the governmental credit is substituted for specifically controlled revenues. On the other hand, the New Plan contemplates that the German income will have about the same sources in the future as under the Dawes annuities. These sources are two in number: (1) The budget of the Reich; (2) the German Railway Company.

By the Dawes Plan, the contribution from the budget proper amounted to half the standard annuity, an amount specifically secured by the assignment of the revenues from customs, beer, tobacco, sugar and alcohol to the commissioner of controlled revenues. The system of control consisted of paying the entire revenue from these sources into the account of the commissioner at the Reichsbank. Each month Sir Andrew MacFadyean paid one-twelfth of the annual contribution from the budget into the account of the Agent-General for Reparation Payments at the Reichsbank. After the establishment of a guaranty fund, he remitted the rest to the account of the German Government at the Reichsbank. As those pledged revenues are the logical ones from which to obtain a con-

siderable portion of the budgetary contribution, it is not contemplated by the New Plan that those revenues will cease to furnish substantial reparation amounts. However, since the organizations for reparation payments in Berlin are to be retired (Plan 6 (*c*)) and the Bank for International Settlements will in large measure succeed the Reichsbank in the handling of accounts, the New Plan does not go into detail as to the future procedure, which "will be worked out in detail by the appropriate organization committee." [1]

About 11.6% of the standard Dawes annuity was derived under the Dawes Plan from the transport tax, which was imposed by the German Government and collected by the German Railway Company. Under the Dawes Plan, this specific tax was insisted upon by the creditors. The New Plan does not provide for its maintenance, but gives the German Government the option of including its amount, if necessary, in the direct tax on the German Railway Company.

A third taxation element in the Dawes Plan was placed upon German industries by the industrial charges law and resulted in the system of industrial debentures. The mechanism of industrial debentures, which gives a result very like the normal product of a corporation tax, proved to be very complicated. For the purpose of handling the system, a Bank for Industrial Obligations was created, and the trustee representing the creditors conducted extensive investigations into the conditions of industrial activity.[2] The total of industrial debentures was fixed by the Dawes Plan at 5,000,000,000 Reichsmarks. By a system of selection — very complicated but generally speaking equitable — this charge was assumed originally by more than 60,000 industrial concerns which were obligated

[1] The committee to adapt the system of controlled revenues under the Dawes Plan consisted of delegates appointed by the Reparation Commission and two by the German Government. The commissioner under the Dawes Plan was a creditor delegate. For a final summary of the tax receipts and other details see the commissioner's report of November 20, 1929 (Reparation Commission, *Official Documents*, XXIIa, p. 183).

[2] His periodical reports embody valuable and unique information respecting national industrial changes.

by the German law to accept the charge. Some 600,000,000 Reichsmarks were transformed at an early stage from industrial bonds into individual negotiable debentures as a convenience to a group of the concerns affected. The rest remained, as it were, a joint and several blanket charge on the other industries. By the terms of the Dawes Plan, the industrial debentures yielded a standard annuity payment of 300,000,000 gold marks representing 5% interest and 1% amortization. Two amortizing periods had elapsed by September 1, 1929, on which date about 4,897,500,000 Reichsmarks net of the obligation were outstanding.

The complications of managing the debentures proved to be excessive. For instance, in the year ending September 1, 1928, the revision of the number of concerns liable to issue non-negotiable individual debentures was reduced from 58,555 to 40,160.[1] In the same period, 319 cases of bankruptcy involved readjustments, while accounts had to be handled with 602 concerns undergoing voluntary liquidation. In the same year, a second distribution of the entire charge among German industries was made, the first not having proved entirely satisfactory and not having fully met expectations.

The Committee of Experts, 1929, states that "this particular charge in no way differs from ordinary taxation save in the complications it involves in legislation and the machinery of collection. We recommend that it be discontinued, and that its disappearance be taken into account in distributing the relief from taxation which this plan will enable the German Government to bring into effect."

With this accomplished, a minor international financial question has been resolved. In the case of German industrial concerns seeking foreign loans, the question as to what extent the industrial debentures charge represented a preferred claim has been extensively discussed.[2]

[1] Reparation Commission, *Official Documents*, XIXA, p. 232. The number on June 15, 1929, was 39,949 (*ibid.*, XXIA, p. 214).

[2] See for instance, Roland W. Boyden, "The Priority Question," *Foreign Affairs*, VI, p. 368.

The Young Committee of Experts propose that these three specific taxation obligations shall be divested of their present character and assimilated to the budgetary system of the Reich. As a consequence, they recommend "that the creditor Governments should take steps to release all controls, special securities, pledges or charges which may remain in their hands other than those specifically referred to . . . and should recognize that their acceptance of the solemn undertaking of the German Government replaces any securities, pledges, charges or controls as may now exist."

The passage preceding that just quoted provides for maintenance of the pledges securing the service of the German external (Dawes) loan of 1924 and also mentions "that one source of payment utilized by the Dawes Plan, viz., the railway company, should be maintained," not from the sole point of view of security, "but also as a suitable method of raising the necessary revenue." The change contemplated in the control of the German Railway Company is, nevertheless, important. In the condition of German public finance in 1924, the Dawes committee found that the railroads owned by the Government were a valuable, and almost the only clear, asset of the Government. At that time, there was a definite conception of mobilizing the reparation payments so as to give the creditors capital amounts by placing German bonds in the hands of the investing public. With a view to realizing this plan, which had been provided for in the treaty of Versailles, the Dawes committee stipulated that the German railway asset should be transferred to a company having a capital value of 26,000,000,000 gold marks and that the company be subjected to a mortgage for 11,000,000,000 gold marks in favor of a trustee representing the creditors. The bond for that amount bears interest at 5% per annum, and the cumulative sinking fund of 1% became operative on September 1, 1927. On September 1, 1929, amortization of 225,500,000 Reichsmarks had been effected.[1] The yield from these charges

[1] See table in Reparation Commission, *Official Documents*, XIXA, p. 300, and supplementary table at p. 302.

was 660,000,000 Reichsmarks per annum and constituted substantially a quarter of the Dawes annuities. As a part of the security under the Dawes Plan, the managing board of the company was made up both of members appointed by the Government of the Reich and by the trustee for the railway bonds, who was Léon Delacroix (Belgian). The railway company itself was subjected to the supervision of Gaston Leverve (French), commissioner for the German railways, who had extensive powers of supervision and, in case of necessity, of control. It is proposed by the Young Committee of Experts to abolish "the railway bonds, together with the attendant circumstances of foreign participation in the management of the railway."

Inasmuch as the railway bonds have already existed and create a basis of credit for mobilization, the exact proposal substituted merits careful explanation. By it, the German Railway Company continues its autonomous existence under legislation of the Reich, but its former obligation in connection with reparation ceases and is replaced by a tax. German legislation now imposes a direct tax upon the railway company for 37 years amounting to 660,000,000 Reichsmarks per year.[1] The identity of the sum with the yield of the bonds under the Dawes Plan has in some instances created an erroneous impression that the bonds themselves are to be retained. The German Government by the New Plan guarantees the creditors' receipt of this direct tax, and the railway company itself deposits with the Bank for International Settlements "a certificate acknowledging its liability in respect of this obligation." The direct tax is to come from the gross revenues of the company, ranking after expenditure on personnel and on the same footing as expenditures on material and consumable stores, with priority over any other tax or any other fiscal charge. The railway company is, however, to pay the tax directly to the account

[1] The committee to adapt the German railway law of August 31, 1924, to the new conditions was made up of two delegates appointed by the Reparation Commission, including the commissioner Gaston Leverve, and two by the German Government.

of the Bank for International Settlements at the Reichsbank in Berlin, rather than to the account of the Minister of Finance of the Reich.

Thus, with a single exception, the German Railway Company becomes an independent corporation, in financial parlance, a wholly owned subsidiary of the German Government. The exception is that the organization committee to put the New Plan into operation is to "make suitable provision whereby the private and independent character of the German Railway Company, including its autonomous administration in economic, financial and personnel matters, shall continue for the period of the plan without interference from the German Government."[1]

The effect of these arrangements is to draw the annuities from the German budget as such, and from what may be regarded as a special budget made up of the German Railway Company tax.

In the second year, allowing 88,500,000 Reichsmarks for loan service, the total payments will amount to 1,796,400,000 Reichsmarks, of which 1,136,400,000 will come from the budget proper and 660,000,000 from the railway company tax. The budget contribution will rise to 1,768,800,000 Reichsmarks in the 37th year, the average increase in the first 20 years — representing the life of the external loan — will be only 24,000,000 Reichsmarks per year or less than one-fourth of 1% of the total budget.

The Nonpostponable Portion

One reason for the guaranty of the contribution from the railroad tax of 660,000,000 Reichsmarks was to insure a certainty of uninterrupted payment of that amount. One of the reasons which influenced the creditors to agree to reduce the Dawes annuities was the arranging for a nonpostponable portion of each annual payment, which might constitute the basis for an issue of bonds which could be sold to the public at an early date, thus providing cash for

[1] Report, Par. 108.

distribution to the creditors. It was recognized that situations might arise under which the most carefully worked out scheme of future payments would be subject to modification by reason of conditions in Germany. The Committee of Experts was unwilling to fix a total sum too low. On the other hand, they recognized that Germany's estimated maximum capacity to pay and to transfer these payments into foreign currencies was not a safe basis for the annuities. They attempted to determine Germany's normal capacity and thus to propose "a series of total annuities which should be paid with the regularity of the coupons of ordinary marketable bonds."[1]

The leeway which was agreed upon took the form of dividing the annuities into a postponable and a nonpostponable part. The division was both delicate and difficult, since "the point at which difficulties might begin to arise in making transfers into foreign currencies is not exactly definable in advance." In order to be on the safe side, the nonpostponable part of the annuity was fixed at 660,000,000 Reichsmarks. The committee regarded this figure as a deliberate underestimate, but were satisfied that it was not wise to propose a figure which would not command "instant acceptance by well-informed public opinion."

The nonpostponable portion of the annuity is given a further guaranty, in addition to the special one of the German Government and the direct form of the collection of the tax which provides it. France has been very anxious to mobilize a portion of its reparation credit by the issuance of bonds. In order to enable this to be done, the experts of the principal creditor countries agreed that France should be assigned 500,000,000 Reichsmarks out of the unconditional portion of the annuity. As the service of the Dawes loan (averaging 61,800,000 Reichsmarks) comes out of that nonpostponable portion, France itself was slated to receive more than 83% of the total available for commercialization and mobilization.[2]

[1] Report, Par. 75.

[2] See the Report of the French Delegates, *European Economic and Political Survey*, IV, at p. 588.

As a result of this proportion being finally assigned to one creditor, France agrees to deposit a special guaranty fund with the Bank for International Settlements in order to equalize the short payments to other creditors which would arise from a temporary diminution of the postponable portion of the annuity (Annex VIII). This guaranty fund is to amount to 500,000,000 Reichsmarks and will constitute a trust fund to insure to each of the other creditors the regular receipt of foreign exchange equivalent to what would be due them if no postponement had taken place. On the full resumption of payment, Germany would replenish the trust fund.

The Committee of Experts fixed the nonpostponable annuity at 660,000,000 Reichsmarks, inclusive of the charges for the Dawes loan. This left 598,200,000 Reichsmarks for allocation. The committee [1] recommended that 500,000,000 of this sum should be allocated to France and 42,000,000 should be apportioned to Italy, which was to have no further claim upon it until the remaining 56,200,000 Reichsmarks was allotted by "an equitable apportionment" among the creditors entitled to share in the annuities "by agreement of all the Governments." To secure a definite allocation of part of that sum to the British Empire was one of the reasons for the policy it adopted at The Hague. By the protocol of August 31, 1929, a change in total and the completion of distribution were made. Annex I to the protocol of August 31, which accepted the Experts' Plan in principle, provides that "the amount of the unconditional annuity shall be fixed at 612,000,000 Reichsmarks a year (excluding whatever sums are required for the service of the German external loan of 1924)." The creditors and Germany, therefore, agreed to the nonpostponable annuity being raised to 673,800,000 Reichsmarks instead of 660,000,000. This slight addition to which Germany agreed left the conference with 70,000,000 Reichsmarks for unconditional distribution. The total by this final arrangement is allocated as follows:

[1] Annex VII, par. 189.

	Reichsmarks
German external loan (average)	61,800,000 [1]
France	500,000,000
Italy	42,000,000
British Empire	55,000,000
Japan	6,600,000
Yugoslavia	6,000,000
Portugal	2,400,000
	673,800,000

The significance of the nonpostponable part of the annuity merits a word. Created for the purpose of affording a sound basis for the issuance of bonds to the public, the certainty of its continuous payment is its essential characteristic. However, in normal conditions its position will not be particularly special, being evidenced by bookkeeping and coupon priority. So long as the total annuity is paid, only technical distinctions of handling will identify that portion. Not until German capacity to collect foreign currencies in a given year should fall below the full amount would the special provisions securing the nonpostponable part of an annuity come into definite operation.

The detailed working of the system is: The certificate of indebtedness, deposited in trust with the bank, bears a coupon for each annuity divided into two parts representing the nonpostponable and postponable parts respectively. A certified schedule (Exhibit C) of the Trust Agreement directs the bank exactly how much money to transmit to each creditor under both heads: First, the Dawes loan service, second, the remainder of the nonpostponable portion, third, commitments on account of deliveries in kind, fourth, payment on the postponable coupon account.[2] If a difficulty of transfer should develop, the same order of distributing available currencies is fol-

[1] The actual cost of loan service in 1929–30 will be approximately 88,500,000 Reichsmarks, with an annual decrease of interest from amortization repayments until its extinction in 1949.

[2] Trust Agreement, Art. IV (*a–e*); the details are in the certificate of indebtedness, III, IV, *infra*, p. 234.

lowed, the guaranty fund of 500,000,000 Reichsmarks in foreign currencies being resorted to.[1] The whole Plan expresses the conviction that Germany could not conceivably fail to raise the amount of the nonpostponable part in Reichsmarks. If world conditions were such that it had difficulty in securing foreign currencies, the bank's facilities for acquiring exchange might be utilized.[2]

The Postponable Portion

The postponable part varies between 61% and 73% of each annuity. The committee states that the proportion "is not to be taken as evidence of doubt as to Germany's capacity of transfer (or of payment); it represents rather the concession that has been made to the honorable determination of the German experts not to make themselves unconditionally responsible for any obligation which they are not certain is within their power of performance in all circumstances." It further represents a change of policy as compared with the Dawes Plan. In this, the responsibility for transfer was entirely borne by the creditors and managed through the Transfer Committee. Under the New Plan, Germany accepts the obligation of getting payments across the exchanges, and the establishment of a postponable part of the annuity gives a certain elasticity to the solution of the problem. The Bank for International Settlements will undoubtedly facilitate the process.

Postponement is not contemplated by the Committee of Experts as a normal procedure to be followed.[3] The committee emphasizes that the total annuity "is one which they have every reason to believe can in fact be both paid and transferred by Germany." The provision for postponement, by affording an opportunity to get over a period of temporary difficulty, makes possible the functioning of the New Plan under unforeseen conditions.

[1] Trust Agreement, Arts. XI, XIII.

[2] *Ibid.*, Art. III.

[3] For the German undertaking see Art. VIII of the agreement, *infra*, p. 196.

It is the debtor that must raise the question of postponement. If the question should be raised, machinery for its examination and for providing a transitional system is indicated in detail. The Committee of Experts points out that this supplies an additional margin of safety.

By the system indicated, Germany has the right (Part 8 (*e*)), "on giving 90 days' notice, to postpone transfers for a period not exceeding two years," under detailed conditions (Annex IV). All amounts postponed are eventually to be paid by Germany, so that the system gives the Reich no advantage and consequently would not be misused. The primary system does not contemplate the cessation of German payments, but only postponement of transfer from the account of the Bank for International Settlements at the Reichsbank across the exchanges.

In case of postponement of transfer, the creditors may utilize their quotas by absorbing them through deliveries in kind. In the first 10 years, the current program of such deliveries would be modified; subsequently a special program would have to be arranged. By this provision, the experts show an appreciation of the fact that the normal payments under the plan do not represent an obvious exchange of goods and seek to facilitate a solution of the temporary problem through resort to a form of such exchange.

The declaration by Germany upon its own initiative of a postponement would start a delicately adjusted inquiry. In such a case, the Bank for International Settlements is to convene a Special Advisory Committee, at Germany's expense, consisting of seven ordinary members nominated by the governors of the banks of issue of Germany, France, Great Britain, Belgium, Italy, Japan and the United States ("or some other agreed American financial institution"), and in addition four coopted members who are to be experts respecting aspects of the particular situation in question. This committee is to consider the circumstances and conditions existing at the time, make necessary investigations, and render a report to the Governments and to the bank.

If the committee has satisfied itself that Germany has used every effort to fulfill its obligations, the committee will suggest measures appropriate to applying the Plan under the existing situation. The committee acts in a purely consultative capacity, and its findings "have no effective force unless confirmed and accepted by the bank as trustee of the creditors, and if necessary by the Governments concerned." Any connection of the committee with the non-postponable part of the annuity is specifically excluded.

It will be noted that this system places the whole responsibility of any postponement directly upon Germany. It is possible that the procedure indicated would not be followed in the order provided for by the Plan. Germany would doubtless seek to consult the bank, and the creditors before declaring a postponement. In case the declaration were solely upon German initiative or in case Germany requested a prior convening of the Special Advisory Committee, this committee is constructed to insure an objective and practical view of the facts involved. The committee's report is calculated to inform the Governments concerned. If the postponement of transfer were fully justified and if the continued application of the Plan involved no essential alteration of it, it is conceivable that the bank might be left to decide on the immediate procedure. As, however, a postponement has the effect of shifting responsibility for transfer of funds temporarily from the debtor to the creditors, the Governments concerned would almost certainly have to take the final decision.

It is not, however, to be expected that this machinery, which leaves it to Germany to question its own credit, would be invoked for slight cause. The occasion for calling the Special Advisory Committee into action would undoubtedly be a most serious one, beyond the ability of the Bank for International Settlements, the German and creditor Governments to overcome through ordinary procedure. Its convocation, consequently, would point to an investigation of a nature to bring out recommendations for revision of the system. If, as a practical matter, such a

committee, after full examination, should report that the payments provided in the Plan were too heavy and ought to be permanently reduced, it would be very difficult for the Governments concerned which are represented on the committee to reject the findings, and if they accepted them this would amount to a permanent revision of the Plan somewhat similar to the revision of the Dawes Plan by the Young Committee.

Postponement of transfer may be made for a maximum period of two years. After it has been in effect for one year, the German Government has the right to postpone the payment of one half of any sum the transfer of which is then susceptible to postponement. The Special Advisory Committee may recommend the increase of this percentage.[1]

Deliveries in Kind

The system of deliveries in kind is to be continued on a diminishing scale for a period of 10 years. Provision for later reverting to the system to aid the transfer of funds in case of a temporary postponement is provided for but, with that possible exception, the very complicated mechanism of paying reparation by delivery of commodities will cease on August 31, 1939.

Deliveries in kind were provided for in the treaty of Versailles. By Annex IV to Part VIII of that treaty, Germany was to "devote her economic resources directly to the physical restoration of the invaded areas" to the extent that the injured might determine. By Annexes V and VI, Germany was to deliver coal and coal derivatives, dyestuffs and chemicals as a part of reparation for specified periods with a view to filling commodity vacuums in the victor countries. The general system of deliveries in kind, however, was in 1919 regarded as a means of securing larger payments from Germany than could be made in the form of cash only.

[1] Plan, Annex IV, 3.

The creditor Governments were never of one mind respecting deliveries in kind. All of them were willing to receive noncompetitive goods to the extent that the trade did not unduly strengthen the German industrial and commercial position. All of them considered carefully whether extensive deliveries in kind would not constitute a form of "dumping" of German exports abroad. Germany was unwilling to see deliveries in kind resold out of the boundaries of the recipient state. Victorious nations did not desire to see German industries positively developed as a result of business done for the account of deliveries in kind. Germany was unwilling to subordinate its commercial and industrial structure and activities to the demands of reparation. For several years there was a general refusal by creditors to permit German contractors to erect extensive public works on account of deliveries in kind, notwithstanding that they would be real capital additions to the benefited nation.

Gradually from 1921 to 1925, a series of complicated regulations was developed, and under the Dawes Plan régime substantial deliveries in kind were made under conditions closely approximating commercial transactions. The regulations set forth in detail commodities that could be ordered without restriction, those which could be had under various restrictions, those that could be had by mutual agreement, and those that were not subject to delivery at all.[1] The program of orders was examined and approved both by national authorities and the Reparation Commission, and increasingly took on normal commercial aspects. The following table shows the development of deliveries in kind as to number of contracts and value:

[1] *Regulations for Deliveries in Kind* (Reparation Commission, *Official Documents* IX).

	Contracts	Value [1] (Reichsmarks)
1st year	–	454,000,000
2d year	3,706	667,000,000
3d year	4,666	795,000,000
4th year	5,421	968,000,000
5th year	5,160 [2]	985,000,000 [3]

It can be seen from this brief review that the system of deliveries in kind operated in a very cumbersome manner, even though it had latterly run with reasonable smoothness. It had come to be regarded as an abnormal form of commercial transaction of decreasing value to the creditors as their industrial production recovered, and as a system hampering the normal development of German industry and commerce.

The close assimilation of deliveries in kind to the normal forms of trade under the Dawes Plan régime had nevertheless caused it to play an important rôle in the economic life of Germany. Moreover, such an artificial system of trade was felt by the Committee of Experts to be somewhat inconsistent with their fundamental purpose of transforming the payment of reparation from a semi-political to a completely economic basis. The Committee of Experts, therefore, recommended that the creditor nations should agree to absorb over a period of 10 years a limited and decreasing amount of the postponable portion of the annuity in the form of deliveries in kind. The schedule provided for 750,000,000 Reichsmarks of deliveries in the first year and 300,000,000 in the 10th and last year; the total to be absorbed in 10 years is 5,250,000,000 Reichsmarks. The Bank for International Settlements will succeed the Reparation Commission in managing the disbursements on the account, and the committee recommends

[1] Includes value of deliveries covered by special agreements as well as those by ordinary commodity contracts.

[2] Nine months only.

[3] Twelve months.

that the regulations in force shall be simplified and liberalized.

Deliveries under the reparation recovery acts may be regarded as deliveries in kind up to 23.05% for Great Britain (the whole percentage) and up to 4.95% for France.

In view of the limits which they have placed upon deliveries in kind as respects both annual amounts and the annuity periods over which they are to continue, the Committee of Experts felt free to recommend that the new regulations should permit "the several powers to dispose of some part of their respective quotas of deliveries outside of their own territories under suitable restrictions." This possibility of the resale of German commodities delivered on reparation account was viewed by the Grand Council of the Federation of British Industries "with considerable apprehension" in a unanimous resolution passed July 15.[1] The Federation urged that the new regulations should include "the most stringent safeguards in regard to territorial extension and the strictest possible limitation of the classes of goods to which it shall apply."

The schedule of quotas of delivery in kind to the various countries given by the Committee of Experts (Annex VII) was based upon the Spa percentages. It reduced the amount of deliveries in the first year under the Young Plan to about 75% of those made in the fifth year of the Dawes Plan.

At the August session of the Hague conference, the Young Plan arrangement was altered in some respects. Provision was made for the committee [2] contemplated to draw up new regulations for deliveries in kind and to effect the transition from the old to the new system. The conference provided that the new regulations should be binding on the Bank for International Settlements. In accord-

[1] London *Times*, July 16, 1929, p. 13.

[2] The Technical Committee on Deliveries in Kind met at Paris, September 16–November 30, 1929, at the French service, rue Montalembert. The committee consisted of the following delegates: France: M. de Peyster, chief of service of deliveries in kind; Belgium: M. Perier; Italy: Signor Mosca; Great Britain: Faryer; Germany: Herr Litter; Yugoslavia: Danič; Japan: Kuichi.

ance with the wish of the British Empire, the conference canceled the suggestion of the Committee of Experts that the recipients of deliveries in kind should be permitted to dispose of part of their shares outside of their own territories and the general principle of prohibition of re-export of such goods was reiterated. Following the Young Plan, the reparation recovery act levies were declared to be *pari passu* with any deliveries in kind, and the British quota of such deliveries may be wholly taken in that form.

The conference provided for a committee, to be convened by the Bank for International Settlements and consisting of representatives of each signatory Government, to apply any special program involving an extension of deliveries in kind during the first 10 years or any program after the first 10 years. This committee may decide by a majority vote. If the interests of any government are prejudiced by the decision of the committee, its member may suspend the execution of the decision with relation to that government and call upon an arbitrator of high commercial and financial standing to render a decision within 14 days concerning the approval or rejection of the program or a part of it.

The British objection to the effect of deliveries in kind upon the status of its foreign trade resulted in a special arrangement with Italy, which also affected France. The schedule of deliveries in kind for the first 10 years gives Italy amounts ranging from 75,000,000 Reichsmarks down to 30,000,000, a total of 525,000,000 Reichsmarks in the 10 years. Italian receipts in kind have been almost exclusively coal for the railroads, and in the earlier years under the original Young Plan schedule, it gets substantially its requirements. The Italians agreed to take the average of 52,500,000 Reichsmarks for each of the 10 years in order to accommodate the British. In view of this adjustment, the Italian Government undertook on behalf of the Italian state railways to purchase 1,000,000 tons of British coal yearly for the three years November 15, 1929, to November 14, 1932, and further to abstain from importing more than

1,500,000 tons of reparation coal per annum during the 10-year period. In order to conform to the schedule of total deliveries in kind in the 10-year period, France agreed to a readjustment with Italy, taking the surplus above Italy's average of 52,500,000 in the earlier years and yielding amounts to provide the Italian average in the later years. As a consequence, French deliveries in kind were determined to range from 430,900,000 Reichsmarks in the first year to 140,800,000 in the 10th year, as compared with the original assignment of 408,400,000 down to 163,300,000.

At The Hague in January the 10-year schedule was revised to conform with the fiscal year of the New Plan and to specify the reparation recovery act receipts included in each year, which amount to 28% of the 10-year total. The revised table,[1] attached to the new regulations,[2] assigns payments to the transition period, September 1, 1929–March 31, 1930. Nine full years follow and deliveries end in the overhang period, April 1–August 31, 1939.

[1] See *infra*, p. 184.

[2] Text in *Agreements*, p. 80.

DAWES ANNUITY DISTRIBUTION

By Countries

(In Reichsmarks, 000 omitted)

(National totals include receipts for army of occupation costs, Belgian war debt and restitution.)

	1st Annuity [1] Final	2d Annuity [2] Final	3d Annuity [3] Revised	4th Annuity [3] Revised	5th Annuity [3] Approximate
1. France	454,512	584,614	747,775	887,855	1,290,203
2. British Empire	191,047	240,673	309,923	369,650	541,823
3. Italy	66,814	86,063	97,756	118,719	185,064
4. Belgium	115,947 [4]	105,350 [4]	76,114 [4]	86,824 [4]	128,829 [4]
5. Yugoslavia	33,435	43,068	48,920	59,399	90,115
6. United States	15,359	19,784	79,969	85,318	100,000
7. Rumania	7,534	9,704	12,296	14,930	23,005
8. Japan	5,005	6,447	8,299	10,076	15,214
9. Portugal	5,005	6,447	8,250	10,017	15,139
10. Greece	2,669	3,438	4,344	5,274	7,989
11. Poland	129	166	210	255	655
	897,456 [5]	1,105,754 [5]	1,393,856 [5]	1,648,317 [5]	2,398,036 [5]
Service 1924 loan	76,979	92,234	91,328	90,573	89,412
Interallied commissions	25,820	17,759	10,618	9,114	11,518
Discount in railway interest	—	7,410	6,481	7,093	8,091
Total	1,000,255	1,223,157	1,502,283	1,755,097	2,508,057

By Classes

Army costs:					
Arrears	11,250	18,646	73,750	85,000	85,000
Current	160,000	151,676	139,525	129,854	126,597
Belgian war debt	36,310	46,772	59,029	71,673	109,322
Restitution	7,262	9,354	11,806	14,335	36,847
American mixed claims	15,539	19,734	24,969	30,318	45,000
Reparation	667,275	859,522	1,084,777	1,317,137	1,995,270
Loan service	76,979	92,234	91,328	90,573	89,412
Interallied commissions	25,820	17,759	10,618	9,114	11,518
Discount in railway interest	–	7,410	6,481	7,093	8,091
Total	1,000,255	1,223,157	1,502,283	1,755,097	2,508,057
Transfer percentages:					
Foreign currencies	30.37	35.35	49.45	54.23	57.83
Reichsmarks	69.63	64.65	50.55	45.77	42.17

[1] *Report of the Agent-General*, November 30, 1926.

[2] *Ibid.*, December 22, 1928, p. 170–173.

[3] *Ibid.*, July 1, 1929, p. 151–153.

[4] Includes receipts on account of the Belgian war debt payable to the United States, the receipts in annuity years being: 1st, 5,338,000 Rm.; 2d, 6,877,000 Rm.; 3d, 8,678,000 Rm.; 4th, 10,537,000 Rm.; 5th, 16,072,000 Rm.

[5] Includes interest earned as follows: 1st, 255,000 Rm.; 2d, 3,157,000 Rm.; 3d, 2,283,000 Rm.; 4th, 5,097,000 Rm.; 5th, 8,057,000 Rm.

IV. THE BANK FOR INTERNATIONAL SETTLEMENTS

1. Abolition of Semi-Political Organizations

While the Committee of Experts in other respects built the recommendations of their report upon the facts of reparation, they produced in the Bank for International Settlements a wholly new financial system for the management of the payments. Their inquiries into the problem, they say in their report, "were found to be converging upon one central point, viz., the nature of the authority which should act as the chief medium for discharging the various functions under a new plan." In their exploration of the problem "of substituting authority of an external, financial and nonpolitical character for the present machinery and controls of the Dawes Plan . . . , they immediately met with the necessity for a trustee to whom the payments in foreign currencies and Reichsmarks should be made by Germany and by whom the distribution to the appropriate recipients should be managed.

"In the second place the problems of mobilization and commercialization demanded a common center of action and authority for the purpose of coordinating and controlling the arrangements, and there were obvious advantages in such an authority being of a continuous or permanent character." [1] In meeting such conditions, they found that the requirements were a permanent central authority capable of acting with expertness upon such subjects as the management of accounts, questions of transfer, and the effects of international payments upon immediate export trade. This analysis of requirements caused the committee to envisage the possibility of a financial institution and to elaborate a plan for a Bank for International Settlements "which should, in its various functions, meet all these points."

[1] Report, Par. 39.

"It will be seen that the essential reparation functions of the bank were such as to form a solid reason for its existence; but the committee were led inevitably to add to those reasons the auxiliary, but none the less material, advantages that it might have in the general position of present international finance." The bank, therefore, has two categories of functions: The first as to reparation being primary, and the second as an international financial institution, secondary, permissive and undeveloped in detail by the Committee of Experts, who believed that, if it should eventually furnish "to the world of international commerce and finance important facilities hitherto lacking," the development should be a matter of normal evolution.

The System Supplanted

The system for the management of reparation which had grown up and for which the bank is substituted should be clearly in mind. The negotiators of the treaty of Versailles provided for a Reparation Commission to be made up of delegates of the United States, Great Britain, France, Italy, Japan, Belgium; and Czechoslovakia, Poland, Rumania and Yugoslavia for questions relating to Austria, Hungary or Bulgaria under their treaties of peace. This commission was empowered to determine the claims of the creditors; to fix the obligations of the debtors; to receive, sell, hold and distribute reparation payments in cash or kind; periodically to estimate the debtors' capacity to pay by examination of their fiscal and taxation systems; to receive, hold and manage the service of bonds representing the indebtedness; to interpret the treaties; and, in case of need, to declare defaults.

It will be noticed that this commission did not include any delegates from the debtors, and was, therefore, a unilateral organization. When Germany received the conditions of peace elaborated by the victors, its delegation prepared detailed comments upon them. Germany recognized, "on principle, its liability for compensation" as to

most of the categories of damages outlined in the draft treaty. It proposed "that a German commission be allowed to cooperate" with the Reparation Commission in fixing the amount of the damage and stated that it could not submit to the annuity "being fixed in a one-sided manner by the representatives of the creditors, the Reparation Commission." [1] These arguments were overruled by the victors, who finally handed Germany an ultimatum as to signing the treaty. The German Government was deeply impressed with the declaration of the United States that it would not claim anything on reparation account. It expected that the presence of an American member on the Reparation Commission would add a disinterested element to its deliberations, which would make the commission's decisions more reasonable than would otherwise be the case. The United States, except at the very outset, never appointed an official member of the commission. It was represented by an "unofficial observer," who cast no vote. As a consequence, the balance of judgment originally contemplated to exist in the commission was never realized. The delegates of Belgium and Japan voted only on specific occasions. In the case of German reparation, therefore, the commission was made up only of the delegates of France, Great Britain, Italy and, usually, Belgium.

The French delegate, representing what may be called the majority interest [2] in reparation, was elected chairman and continued in that capacity. The voting arrangements were significant. Questions "involving the sovereignty" of any of the victors, cancellation or postponement of debt, or interpretation required unanimity. Other questions were decided by a majority vote, and in case of a tie, the chairman (French) had a casting vote. Abstention was a vote against a proposal. It thus came about that in the crucial period of the commission's action, by the absence of an American delegate and the presence of a Belgian one,

[1] *Comments by the German delegation on the Conditions of Peace, International Conciliation*, No. 143, p. 63–68 *passim*.

[2] The French share under the Spa percentages was then 52%.

the commission consisted of four delegates, and the French representative had a casting vote.

The delegates on the commission were subject to control by their national Governments. It was the attempt of those Governments to realize their desires through the commission and the inherent complications and difficulties of the reparation problem which in large measure contributed to the *impasse* of 1923 and 1924. The Dawes committee in 1924 did not make any recommendations respecting the commission, whose functions were not within its mandate. However, the adoption of the Dawes Plan and the establishment of the officials it required led the Governments at the London conference in July–August, 1924, to provide so fully for the operation of reparation by organizations outside the Reparation Commission that the latter ceased to occupy a central position.

The Dawes Plan created the office of Agent-General of Reparation Payments, the incumbent of which was appointed by the Reparation Commission. Functions of the office were in large measure laid down in the plan itself so that S. Parker Gilbert, the permanent appointee, was in effect the active and responsible official from 1924 onward. The Agent-General's principal duty in Germany was to receive payments of all kinds toward the annuity, the funds of which were placed to his credit in the Reichsbank. His principal duty toward the creditors was to transfer the funds to their accounts in collaboration with the Transfer Committee, of which he was the chairman. He was furthermore the coordinating agency between the Reparation Commission and the German Government. In this capacity, under normal conditions, he had a certain amount of supervision over the commissioners of the Reichsbank, of the German Railway Company, industrial debentures and controlled revenues and would have borne a similar relation to the Prosperity Index Committee when it came into operation. By virtue of his position, he was chairman of the Transfer Committee, and maintained relations with the mixed general board of the Reischsbank, the trustees

of the German external loan of 1924, the trustee of the German railroad bonds, who appointed nine of the road's board of directors, the trustee of the industrial debentures and the management of the Bank for German Industrial Obligations.

The listing of this structure gives a sufficient picture for the present purpose of the extent to which payment of reparation under the Dawes Plan was dependent upon foreign supervision and administration.

2. The Structure and Functions of the Bank [1]

Early in the proceedings of the experts they determined that any plan providing a complete and final settlement of the reparation problem ought to place upon Germany the complete responsibility for reparation payments without wartime sanctions and controls or without supervision or administration of the transfer of funds. To this end they decided upon the abolition of the Reparation Commission and all its agencies, including the Agent-General for Reparation Payments and the commissioners, so that no body or individual representing the creditor states should be standing over Germany to determine the amount or time of reparation payments or whether transfers could or could not be made at any given date. Upon reflection, it became obvious that, with the abolition of the organs of control, it would still be necessary to have some organization, non-political in character, to receive (but without authority to collect through sanctions from Germany) the annuities which Germany would agree to pay and to distribute these annuities to the creditors entitled to receive them, as well as to assist in deliveries in kind during the 10 years of their continuance. To provide for the receipt and distribution of the annuities which Germany is to pay on its own responsibility in foreign currency was thus the primary object

[1] Extensive use has been made in this section of the method of treatment and the language of a paper by Jeremiah Smith, Jr., "The Bank for International Settlements," *Quarterly Journal of Economics*, XLIII, p. 713.

in the creation of the new Bank for International Settlements.

The idea of an international bank developed gradually and, so to speak, inevitably. The first conception was simply that of a trustee for the administration of the mechanics of reparation payments. But it became increasingly clear that such an organization would require for its successful functioning a directorate and management of high caliber. Such a directorate might, as a nonpolitical body, be intrusted with such a function as supervising and assisting in the commercialization and mobilization of certain portions of the annuities, a function that had always been contemplated. Such functions were fundamentally those of a financial institution. The very complications of the distribution to be effected pointed to the necessity of providing for still other typically financial functions, such as exchange operations. It was also clear to the experts that a bank performing these necessary functions might offer an opportunity to bring to realization certain conceptions of international financial cooperation which had long been discussed and long desired. As a result of these considerations, the Committee of Experts laid down the structure of the bank, leaving to a committee to be appointed the task of determining the text of the formal constituent documents.

The Organization Committee of the Bank for International Settlements met at the Hotel Stephanie, Baden-Baden, October 3–November 13, 1929. In accordance with Annex I, Part III, of the Plan, it consisted of two members appointed by the governors of each of the central banks of Belgium, France, Germany, Great Britain,[1] Italy and Japan, and two American delegates appointed by the six

[1] Philip Snowden, the Chancellor of the Exchequer, said in the House of Commons on November 5: "No instructions have been given to them by His Majesty's Government in regard to the purely banking aspects of their tasks, but I am keeping in touch with them on the definition of the bank's functions in regard to reparation." (London *Times*, November 6, 1929, p. 7.)

governors of the central banks.[1] This Organization Committee produced the text of the charter of the bank, to be enacted as law by the country in which it is situated, the statute of the bank, and the trust agreement. The committee was called into being by the president of the Hague Conference acting under the Hague protocol of August 31, and its duty was to put into formal shape the indications for the structure of the bank given in Part 6 and Annex I of the Report of the Committee of Experts. The committee had power to modify those provisions, but made few changes in them. The committee took decisions by a three-quarters vote, and the documents produced were signed by all delegates [2] to be submitted for final acceptance by the second session of the Hague conference.

Objects and Capital Distribution

The Bank for International Settlements is a limited share company with its registered office at Basel, Switzerland, established by the central banks of Belgium, France, Germany, Great Britain, Italy and Japan and a financial institution of the United States, incorporated by and receiving its charter under the laws of Switzerland. The bank is generally immune from Swiss taxation, its statutes are sanctioned by Swiss law and may not be amended except in accordance with their own terms, irrespective of consistency with present or future Swiss laws relating to

[1] The delegates were: Belgium: Louis Franck, Governor of the Banque Nationale, Léon Delacroix, Belgium representative on the Reparation Commission (died October 15), M. Paul van Zeeland, director of the Banque Nationale; France: Messrs. Moret and Pierre Quesnay; Germany: Hjalmar Schacht, president of the Reichsbank, and Herr Volcke; Great Britain: Sir Charles S. Addis, K. C. M. G., William T. Layton, C. H., C. B. E., editor of the *Economist;* Italy: Giuseppe Beneduce and Signor Azzolini, director general of the Banca d'Italia; Japan: Messrs. Tanaka, superintendent of the London agency of the Bank of Japan, and Saburo Sonoda, president of the Yokohama Bank, New York. The American delegates, appointed by the six governors of the central banks, were: Jackson E. Reynolds, president of the First National Bank of New York, and Melvin A. Traylor, president of the First National Bank of Chicago. (London *Times*, October 1, p. 16.)

[2] The Belgian delegates signed the report on November 16 at Brussels, noting that in their judgment the selection of Basel as the seat of the bank was due to political considerations. The delegates had withdrawn from Baden-Baden on November 8, prior to the vote on the seat of the bank.

corporations. The bank is not subject to Swiss restrictive legislation. Disputes between the Government of Switzerland and the bank as to the interpretation or application of the charter are subject to arbitration.

The objects of the bank are:

To promote the cooperation of central banks and to provide additional facilities for international financial operations;

To act as trustee or agent in regard to international financial settlements intrusted to it under agreements with the parties concerned.

So long as the Young Plan is in force, the bank must carry out the functions assigned to it in the Plan, facilitate execution of the Plan in the manner of conducting bank affairs, and observe the provisions of the Plan within the powers of the bank as defined in the statutes. Specifically its reparation duties are: As trustee or agent for the Governments to receive, administer and distribute the annuities paid by Germany, supervise and assist in the commercialization and mobilization of certain portions of those annuities and perform such services in connection with payment of German reparation and international settlements "connected therewith" as the bank and interested Governments may agree upon.

The authorized capital of the bank is 500,000,000 Swiss francs ($96,475,000) divided into 200,000 shares of 2,500 Swiss francs ($480.38) issuable at par only, the nominal value to be expressed in dollars and local currency converted into gold mint parity. The Banque Nationale de Belgique, the Bank of England, the Banque de France, the Reichsbank, Banca d'Italia, the Yokohama Specie Bank and a New York financial institution guarantee the total authorized capital, and the bank may begin business as soon as a total of 112,000 shares (56%) has been subscribed by the seven mentioned institutions in quotas of 16,000 each. The remaining 88,000 shares (44%) may be issued by the Board of Directors by offer to central or other banks of other countries whose currencies are on the

gold or gold exchange standard (or those interested in reparation) in lots not exceeding 8,000 shares per country.

Twenty-five per cent only of each share is payable at the time of subscription, the balance to be "called up" at the discretion of the board on three months' notice. Capital of the bank may be increased or reduced by vote of a two-thirds majority of the board. In the case of an increase, the seven guaranteeing institutions are entitled to subscribe for 55% of the increase, the remainder being assignable to other subscribing countries. Shares are registered and transferable on the books of the bank, which retains the faculty of accepting a subscriber. Ownership of shares carries no right of voting or representation at general meetings, both rights being exercised by the central bank or its nominee in proportion to the shares subscribed in each country. The subscribing institution may issue either the shares or certificates against the shares to a banking group within the country, or to others.

Operations and Functions

The operations of the bank are to conform with the monetary policy of the central banks of the countries concerned. The Bank for International Settlements is to afford the central bank of a country in which it plans to operate an opportunity to dissent from its proposal. Disapproval will prevent the operation taking place, and approval may be accompanied by a statement of conditions. General arrangements may be effected for the operation of the bank in a given country. A central bank is not entitled to object to the withdrawal of funds from its market if it did not object to their introduction. As central banks are represented on the board of the bank, there is every possibility of the bank's operations being coordinated with those of the national institutions.

A somewhat different situation exists respecting the Federal Reserve System of the United States. On May 16, 1929, three weeks before the Report of the Committee of Experts was signed, the Secretary of State announced that

the United States Government would not "permit" officials of the Federal Reserve System to serve or select persons to serve in the bank. The Government, however, did not attempt to prohibit the bank from operating in the country. Notice of any proposed action will be given to all central banking systems and may be proceeded with unless objection is made. Neither approval nor disapproval will be given. An objection is interpreted as not involving participation in operations of the bank, and a failure to object is not supposed to be equivalent to an assent.

The functions of the bank respecting reparation will themselves require a wide variety of the operations normal to any banking institution. The statutes of the bank carefully limit its operations to the international financial field and indicate that its normal activities in any country will be supplementary rather than duplicative of the national banking organization, including the central banks. It may deal "with banks, bankers, corporations or individuals of any country, provided that the central bank of that country does not object." Its gold operations include buying and selling for its own account or for that of central banks, holding gold under earmark or in custody for central banks. Gold, bills of exchange and other securities may form the basis of advances to or borrowings from central banks. It may deal with currently marketable paper of prime liquidity, including short-term Government paper for discount, rediscount, purchase or sale. It may buy and sell exchange and negotiable securities (not shares for the account of itself or central banks). It may discount bills from the portfolios of central banks and rediscount those from its own portfolio with them. It may maintain current or deposit accounts with central banks and accept such accounts from them or it may accept deposits resulting from trust agreements between the bank and Governments. It may act as correspondent of central banks, and they may serve it in the same capacity.

The bank may make special agreements with central

banks to facilitate the settlement of international transactions between them either by the earmarking of gold or by open accounts through which assets can be transferred from one currency to another.

Functions prohibited to the bank are:

(*a*) Issuance of notes payable at sight to bearer (it is not a bank of issue);

(*b*) Acceptance of bills of exchange;

(*c*) Making of advances to Governments;

(*d*) Opening of current accounts "in the name of Governments";

(*e*) Acquisition of a predominate interest in any business concern;

(*f*) Owning of real estate permanently beyond the requirements of its own business.

One of the most interesting features of the bank is in the provisions respecting reserve funds. By Art. 26 of the statutes, "the bank shall be administered with particular regard to maintaining its liquidity," and its assets shall be "appropriate to the maturity and character of its liabilities." The Young Plan provided special gold reserve percentages for specified types of deposits.[1] The statutes provide for no gold reserve, but create two reserve funds. The "legal reserve fund" is to amount to 10% of the paid-up capital and is to be created from a percentage of the net profits. A "general reserve fund," which is "available for meeting any losses incurred by the bank," is to be created by a sum subtracted at the fourth point in the distribution of the net profits. This general reserve fund is stipulated by the statutes to be built up to five times the paid-up capital and beyond that will be increased by a very minor percentage of the net profits.

The Annuity Trust Account

The principal deposit in the bank is the general deposit, Annuity Trust Account, received in the bank's capacity as trustee for the creditor Governments and the special man-

[1] Annex I, Sec. X, text in note on p. 218, *infra*.

agement of which is laid down in the trust agreement. It is stipulated that the cooperation with the central banks concerned, in connection with this Annuity Trust Account, "shall be the ordinary relationships obtaining between a bank and its correspondent banks." The German Government shall pay all sums applicable to the service of the annuity into this account. Reichsmark payments "in respect to the railway contribution shall be immediately released to the German Government against equivalent payment in foreign currencies" into the account. In other words, it is the German Government's responsibility to find exchange for the unconditional part of the annuity.

Subject to the transfer postponement clause of the Experts' Plan and except as the bank may request Reichsmark payments, the German Government shall make all its payments on account of the annuity in foreign currencies. The bank may express its preferences for payment in particular currencies, but in any case payments are to correspond as nearly as possible to the currency requirements for meeting the shares of the creditors, including German Reichsmark credits for deliveries in kind.

The bank will maintain a Reichsmark account at the Reichsbank credited to the Annuity Trust Account, and it will normally be employed to make payment for administrative expenses, payment for deliveries in kind and other disbursements in Germany on annuity account.

The Annuity Trust Account will bear no interest. Payments into it are to be receipted for in the currencies actually paid, but credit shall be given in their Reichsmark equivalent. The bank's receipt giving credit in Reichsmarks for payments into the account by the German Government "shall under normal operation of the Plan constitute a complete and sufficient discharge of the obligations of the German Government." If, however, transfer postponement is in effect, only the foreign exchange included in the payments made shall be receipted for as a final discharge.

The bank manages the Annuity Trust Account, expenses

being a lien against the account.[1] A first monthly charge against it is service of the Dawes loan; a second is the nonpostponable part of the annuity; a third is payment for deliveries in kind; a fourth the balance of the annuity, and the remainder is distributed to the several creditors under the provisions of the Plan. Payment of quotas is made in cash by crediting the accounts of the central banks in the Bank for International Settlements with the amount paid, notifying both the central banks and the creditor Governments of the credit thus created for the latter and obtaining the Governments' receipts therefor. The bank as trustee will manage the service of any bonds representing commercialized and mobilized shares in the annuity. Bonds required for the purpose are charged against the account of the creditor countries according to their respective interests in the issued bonds. The bank as agent will attend to the details of mobilizing any parts of the annuities upon request of the creditor Governments. In this connection, it will cooperate with central banks.

The bank may act as trustee under trust agreements or under special agreements. Arts. 22 and 24 of the statutes authorize it to "enter into agreements to act as trustees or agent in connection with international settlements, without encroachment on the obligations of the bank toward third parties." It has been generally assumed that this provision will cover most of the "out-payments" referred to in the Plan.

Directorate and Management

The board of directors may consist of 25 members during the continuance of Germany's liability to pay reparation annuities, and always shall consist of 23 members. The directorate is composed as follows:

1. The governors, or their substitute nominees of like nationality, of the central banks of Belgium, France, Germany, Great Britain, Italy, Japan and the United States, known as *ex officio* directors. In case one of these countries

[1] Trust Agreement, Art XVIII. The normal charge for management is one-tenth of 1%.

has no central bank, or if such bank is either unable or unwilling to act, the board shall nominate an appropriate financial institution to designate candidates for election.[1] The Yokohama Specie Bank acts for Japan and J. P. Morgan & Co. with the First National Banks of New York and Chicago for the United States.

2. Seven persons "representative of finance, industry and commerce" of the same nationality as and appointed by each of the former group.

3. Nine persons elected from lists submitted by the governors of the central banks of Bulgaria, Czechoslovakia, Greece, Hungary, Poland, Portugal, Rumania and Yugoslavia — being countries interested in reparation — and by the governors of the central banks of the Netherlands, Sweden and Switzerland,[2] all of which have subscribed to the bank's capital "at the time of its incorporation." The candidates are to be representatives of finance and of industry or commerce in equal numbers. The election of the nine persons from these lists is by a two-thirds majority for three-year terms.

4. "During continuance of the liability of Germany to pay reparation annuities two persons of French and German nationality respectively, representative of industry or commerce, appointed by the governors of the Bank of France and of the Reichsbank respectively, if they so desire."

Aside from governors of central banks, no official of a Government is entitled to be a director, and directors must reside in a place from which it is possible to attend meetings of the bank regularly.

The board represents the bank in its dealings with third

[1] The Secretary of State of the United States on May 16, 1929, stated that: "This Government does not desire to have any American official, directly or indirectly, participate in the collection of German reparation through the agency of this bank or otherwise." Consequently, "it will not permit [*sic*] any officials of the Federal Reserve System either to themselves serve or to select American representatives as members of the proposed international bank."

So long as that attitude is taken, the American members of the Board will be appointed by the governors of the other institutions referred to, the bank statutes stipulating that they are to be persons "not objected to by the central bank of that country," *i.e.*, the Federal Reserve System. The banking representative acting in lieu of the Federal Reserve System shall be from "any bank or banking house of widely recognized standing."

[2] The central banks mentioned are the first to participate in a group limited to 11 in number.

parties and has the exclusive right of entering into engagements on its behalf. These rights may be delegated to members of the board or of the permanent staff. The general manager, who is chief of the operating staff, is responsible to the president and is appointed by the board on his proposal. Officers of the rank of heads of departments are appointed by the board on recommendation made by the president after consultation with the general manager, who appoints the remainder of the staff.

The board determines the departmental organization. It may appoint advisory committees, who may be selected from persons not connected with the bank. The board must convene the Special Advisory Committee provided for by Part 8 (*e*) of the Young Plan so long as the Plan remains in force, upon receipt of notice from the German Government of its declaration of a postponement of transfer.

The financial year of the bank begins on April 1, the first financial period ending March 31, 1931. Provision is made for publishing an annual report, profit and loss accounts and balance sheets and for auditing.

Distribution of Profits

The distribution of the net profits is set forth in the statutes in detail and shows an intimate connection with the payment of reparation. The distribution for the first year, turned into percentages of the net profits, will be allocated as follows:

a. 5% to the legal reserve;

b. 15% (6% of paid-up capital) to cumulative dividends;

c. 15%, or a maximum of 16%, to provide a noncumulative 6% additional share dividend;

d. 32.5% (50% of the remaining net profits[1]) to the general reserve fund;

[1] This allocation is to continue until the general reserve fund equals the paid-up capital. Thereafter, 40% of the net profits at this point are to be applied to make the general reserve fund double the paid-up capital. Following that, 30%, then 20%, and next 10% will be successively applied to make the general reserve fund equal five times the paid-up capital. Thereafter the general reserve fund shall be increased by 5% of the net profits available at this point of distribution. The percentages shall be reapplied to restore the position in case of losses or increase of paid-up capital.

e. The remaining 32.5% is to be paid into two special funds which are to be employed as follows:

i. 75% of this remainder (24.375% of the total) is to be distributed annually to such Governments or central banks of the creditor countries or of Germany as have maintained time deposits of a size determined by the bank's directors, withdrawable in not less than five years. This provision may prove to be important in the future handling of reparation payments. It may afford creditor Governments an option of leaving their annuities on deposit in the bank, and it will facilitate Germany's ability to collect funds against the payment of future annuities, if that should prove feasible.

ii. The remaining 25% of *e* (8.125% of the total net profits) is "to be used to aid Germany in paying the last 22 annuities" provided the German Government makes a long-term deposit of a minimum sum of 400,000,000 Reichsmarks. This fund, the amount and contribution to which may be proportionately reduced, shall carry compound interest at the maximum current rate of the bank. If the original fund, increased by profits and interest, should not be required by Germany for out-payments in the last 22 years, the excess will be distributed among the creditor Governments. By the concurrent memorandum on out-payments of June 7, 1929, any remission of war debt during the first 37 years will serve to increase this fund. In that period three-twelfths of any net relief will be paid by the creditors into the bank for accumulation to assist Germany toward meeting the final 22 years' payments. In the last 22 years any sum gained from the remission of out-payments is to be handled in accordance with the concurrent memorandum.

Disputes arising between the bank and any central bank or other financial institution shall be referred to the Tribunal of Interpretation established under the London

agreement of August 30, 1924,[1] as reconstituted by the agreement of January 20, 1930 (Art. XV). This tribunal was established to interpret the Dawes Plan with regard to disputes between the Reparation Commission and the German Government. If the disputants fail to define the question or one of them should fail to appear, the statutes of the bank give the Interpretation Tribunal jurisdiction over defining the question and authority to render an award in default. In all other disputes the bank may proceed or be proceeded against in any court of competent jurisdiction.

Amendments to the statutes, with certain exceptions, are to be proposed by a two-thirds majority of the board and adopted by an absolute majority. However, amendments relating to the seat, objects, reparation functions, capital, share ownership, operation in countries, relation of central banks to national operations, prohibited functions, composition of the board, general meetings, distribution of profits, settlement of disputes, and to amending the statute must be adopted by a two-thirds majority of the board, approved by a majority of the general meeting, and enacted in a law supplementary to the bank's charter.

Instrument of International Cooperation

It can readily be perceived from this summary that the bank would not exist were it not for its relation to the handling of reparation. On the other hand, its functions are banking functions, though few, if any, of these will not be exercised in the development of its duties respecting reparation. The statutes do not in words make the distinction which was made in the report between essential or obligatory functions and the auxiliary or permissive functions, which evolve more indirectly from the character of the annuities.

Before the World War, the cooperation which took place between the central banks of the different countries was left solely to private initiative. In the days of postwar

[1] *Reparation*, Part VI, p. 250.

financial chaos, the necessity for such action became vividly apparent, and the Genoa conference in 1922 recommended a meeting of banks of issue,[1] but the suggestion for various reasons was never acted upon. In recent years considerable cooperation has been achieved, largely through the leadership of several outstanding personalities. There has been a growing consciousness that such cooperation should not in the long run be dependent upon individual initiative or upon chance, but should be organized. Just what tasks are to be accomplished through the cooperation afforded by the existence of the Bank for International Settlements in the next decade or two no one can predict. If the central banks desire, some international transactions can well be cleared through an international agency, and in this way gold movements could be lessened. Whatever definite developments may take place, it seems clear that international financial machinery available for any emergency that may arise and for the gradual development of methods of international cooperation will be found useful.

[1] Resolution 3 of the Financial Committee proposed developing "continuous cooperation among central banks of issue or banks regulating credit policy in the several countries" so as to "provide opportunities of coordinating their policy, without hampering the freedom of the several banks." Resolution 9 suggested an international convention "to centralize and coordinate the demand for gold." (*Papers relating to International Economic Conference, Geneva, April–May, 1922*, p. 60, 61. British Parliamentary Papers, Cmd. 1667.)

V. COMMERCIALIZATION AND MOBILIZATION

When the system of reparation was first developed in Part VIII of the treaty of Versailles, the debt was to be represented by several series of bonds, all of which were to carry an amortization charge. Annex II, 12, (*d*) of that part of the treaty contemplates that the German evidences of indebtedness might be "disposed of outright, not by way of pledge, to persons other than the several Governments in whose favor Germany's original reparation indebtedness was created." In this event, the German indebtedness toward the creditor state is extinguished, "and the obligation of Germany in respect of such bonds shall be confined to her liabilities to the holders of the bonds, as expressed upon their face."

This possibility proved very attractive to the French mind. The French people are great investors in Government securities, and the French Government has never lost sight of the advantage of reducing the national indebtedness by selling German reparation bonds to the French investor, using the proceeds to retire national debt, or of exchanging reparation bonds for the national *rentes*. Though no other country is so much interested in this possibility, all those concerned recognized that such treatment of reparation would represent a final evidence of its transformation into an exclusively economic transaction.

The Committee of Experts, having provided machinery in the Bank for International Settlements "for the removal of the reparation obligation from the political to the financial sphere," continued with a study of the procedure " necessary in order to assimilate this obligation as closely as possible to an ordinary commercial obligation [1] ('commercialization')." This is provided for in what the Experts call mobilization,[1] that is, the use of its reparation credit

[1] The terms "commercialization" and "mobilization" are used by the Committee of Experts in the European sense and are fully explained by them in the Report, pars. 148 and 149. The terms refer to two stages of the process. "Commercialization"

by a state to raise money by the issue to the public of bonds representing the capitalization of the unconditional annuity.

It was no part of the functions of the Committee of Experts to determine the time when such issues should be placed on markets, nor was it one of their functions to determine in what form bonds should be issued. There are three possible forms:

(1) An issue in the interest of all or several creditor Governments in several money markets;

(2) An issue by one Government on several markets;

(3) An internal issue by one Government on its own market with a view to converting its own Government debt.

The Committee of Experts regarded it as the province of the Bank for International Settlements to advise upon such matters and itself lays down a framework within which the first and third forms of issue might take place (Annex III), which is elaborated technically in Art. XII of the Trust Agreement. No provision is made for the second possibility.

Some of this framework is essential to the Plan as a whole in any case. Germany is to deliver to the Bank for International Settlements, as trustee of the creditor states, a certificate of indebtedness representative of the annuities fixed by the Plan. Attached to the certificate are coupons representing each annuity. Each of the coupons is in two parts. The first part represents the nonpostponable portion of the annuity and corresponds "to the portion of Germany's indebtedness which is mobilizable;" the second part of each coupon represents the postponable portion of the annuity, which is not contemplated as mobilizable. Aside from the postponement feature, both parts of the coupons enjoy equal rights, except that the nonpostponable coupon enjoys priority of payment.

refers to the transforming of the intergovernmental debt into a technical form corresponding to ordinary bond issues placed on international markets. "Mobilization" refers to the raising of money by issuing to the public bonds representing the capitalization of the "commercialized" portion of the reparation annuity.

The Bank for International Settlements, as trustee for the creditors, decides whether mobilization is opportune. It is to do this on the request of creditor Governments. The bank, having determined that "mobilization" is opportune, may require the German Government to create issuable bonds representing the capitalization of any part of the nonpostponable portion of the annuity.[1] If, however, a Government desires to undertake conversion operations of its own debt by an internal issue of German bonds, the bank is obliged to accede to its request, and Germany also is obliged to issue the bonds required. The bonds issued are to be the obligation of the German Reich, serviced by the nonpostponable portion of the annuity, and guaranteed by the general revenues of the Reich. They "constitute a final, absolute and unconditional international obligation in the ordinary financial sense of the word." [2]

Collateral guaranties are provided, the positive one of which is the certificate of liability to be deposited with the Bank for International Settlements by the German Railway Company and which covers the tax to which it is to be subjected.[3]

A second collateral guaranty is a negative pledge in the form of the assignment of customs and certain consumption tax revenues of the Reich for the service of the indebtedness payable from the Reich budget and of negotiable bonds issued in exchange for them. The German Government agrees that the assigned revenues shall amount to "150% of the highest budgetary contribution payable by Germany" under the Plan [4] (that is, 3,643,200,000 Reichsmarks) and that it will not pledge them for any other loan or credit without the consent of the bank. If the total yield should fall below that percentage, the bank may require the assignment of additional revenues to restore the yield to the stipulated proportion.

[1] The authority of the bank to act as agent for such operations is exclusive (Trust Agreement, Art. XII).

[2] Annex III, V, par. 137.

[3] Trust Agreement, Art. II, *C*, and Plan, Annex III, III, par. 128.

[4] This is reached in the fiscal year 1965–66.

Bonds issued against the nonpostponable annuity may have their value expressed in several currencies or in a single currency with the stipulation that the principal of any bond issued in a particular market shall be payable only in its currency at the equivalent of the gold value. A specification of the currency is to be made by the Bank for International Settlements, taking into account the desires of the issuing bankers. After 10 years, it will be possible to issue bonds payable in different currencies at the option of the bearer, so that there is a prospect for the future of the issuance of a form of international bond.

The bank will inform creditor Governments when, in its opinion, the issue of bonds is practicable and will fix the minimum price of issue. The Governments may issue their share of bonds in their own countries, or they may transfer their quotas to bankers in other countries, or refuse to allow their quota to be created. The minimum conditions fixed by the bank shall apply in all cases. In the case of conversion bonds, which a creditor Government may issue at its own discretion on its own market, no minimum price is to be fixed, and the Government will receive whatever price it can.[1]

All these bonds enjoy a genuine priority in that they are based upon the mobilizable portion of the annuity, which is not subject to postponement. As a consequence, the annuity coupons representing it are completely paid before moneys to meet the mobilizable portions of the coupons can be transferred.[2] The payment of the coupons is made to the bank in foreign currencies by the Reich on its own responsibility. Bonds can be created against the nonmobilizable portion of the annuity coupons, even for internal issue by a creditor, only with the consent of the German Government.

As indicated above, France has been anxious to mobilize its reparation debt. Emile Moreau and Jean Parmentier, the French experts, in their report to the premier of June 13

[1] Formal details in Trust Agreement, Art. XII.

[2] Trust Agreement, Art. IV, (*c*).

said: "The entire effort of the French experts was centered on the recognition of our right to mobilize the part of the annuity which exceeds the amount of our external payments and on the practical means of arranging for it." The French experts in their report state that of the average annuity coming to France, 1,046,500,000 Reichsmarks, the part absorbed by the external debts will attain an average of 626,500,000 Reichsmarks, leaving a net balance of 422,000,000 Reichsmarks to meet reparation proper. This balance, payable for 37 years at 5½% plus amortization, is given a present value of 6,945,000,000 Reichsmarks, or about 42,000,000,000 francs. Restoration of the devastated regions has cost France 102,000,000,000 francs. The provisions for mobilization in the Plan will apply to the net balance of 420,000,000 Reichsmarks. "Thanks to the mobilizable provision," say the experts, "the amortization of the debt contracted by France, in lieu of and in the place of Germany, will be accelerated, and we shall find ourselves profiting from a true priority in favor of our material reparations." The French experts contemplate that a total sum of 500,000,000 Reichsmarks may be used for this purpose. The transformation of a German political debt toward the French state into a commercial debt toward the holders of bonds "will be facilitated by our recognized ability to proceed to the issuance on our own market of German bonds in exchange for French rentes or treasury notes, the cancellation of which will thereby be assured." [1]

Roughly speaking, 500,000,000 Reichsmarks will service a total of nearly 7,750,000,000 Reichsmarks loan capital at 5½% interest and 1% sinking fund. That would relieve France of carrying a debt burden of about 45,000,000,000 francs.

The Hague conference decided [2] upon a first mobilization amounting to $300,000,000 (1,260,000,000 Reichs-

[1] A complete English translation of the report of the French experts is printed in *European Economic and Political Survey*, IV, p. 587.

[2] Final Protocol, Annex VII.

marks) net, of which one-third will go to Germany for productive postal and railroad purposes. The division of the $200,000,000 (840,000,000 Reichsmarks) against the nonpostponable portion of the annuity was not allocated among the creditors at The Hague.

The arrangement to this effect contemplates the emission of the issue before October 1, 1930, before which the German Government will issue no long-term external loan. If issuance of the mobilizable loan is delayed, Germany will refrain from entering the market up to March 31, 1931. The mobilizable loan may be participated in by Germans and shall be arranged by the Bank for International Settlements and serviced by it.

An adjustment was required regarding the match monopoly loan contract for $125,000,000 signed on October 26, 1929, with the Swedish Match Company of Stockholm and Kreuger & Toll of Amsterdam. Arrangements with these concerns described in the agreement were to the effect that the above declaration did not apply to this loan which, however, would not be offered for public subscription before June 30, 1933. Moreover, it "may not involve any discrimination to the detriment of the unconditional annuities."

VI. LIQUIDATION OF THE PAST

The Young Committee of Experts found a considerable body of unliquidated problems still existing in the reparation system. The committee recommended the "clearing up of these questions in a broad spirit of mutual concession." They defined the closing of the financial questions raised by the war and the subsequent treaty of peace as "a liquidation which alone can assure the definite return of Europe to normal financial and economic conditions."

The committee recognized that the final decisions on these questions lay with the Governments, but was able to point out that in several respects the Plan, which was to be regarded "as an indivisible whole," necessarily involved this liquidation, which was not to affect the annuities of the Plan.[1]

Perhaps the most important of the past questions is the closing of pre-Dawes accounts. In this connection, it should be understood that, until the payment of the first Dawes annuity began on September 1, 1924, all payments by Germany and receipts by the creditors were unilateral book entries at the office of the Reparation Commission and were to a large extent in dispute. The system originally contemplated was that German bonds should be canceled by German payments. The bonds provided for in Part VIII, Annex II, par. 12, of the treaty of Versailles were never formally issued. Substituted for them as a representation of Germany's debt were the A, B and C bonds of the Schedule of Payments of May 5, 1921.

The Reparation Commission as of November 30, 1925, recognized payments by Germany in the period before the Dawes Plan entered into effect of 8,821,657,000 gold marks as follows:

	Gold marks
Value of ceded properties	2,553,905,000
Years 1920 and 1921	3,970,835,000
Year 1922	1,402,686,000
Ruhr period, January 11, 1923–August 31, 1924	894,231,000

[1] Report, Annex VII, par. 193.

On December 18, 1925, the Reparation Commission determined the accounts of the Ruhr period in accordance with Art. 12 of the agreement signed at Paris January 14, 1925,[1] and the figure for that period in the above list may be regarded as representing a closed account. The other amounts contained many provisional items, several important categories of which were disputed by Germany. In 1921 and 1922 Germany gave details as to these claims, which have since been in abeyance. In some instances wide discrepancies existed: German public property in ceded territories, which was given a value of 2,553,905,000 gold marks by the Reparation Commission, was claimed by Germany to be valued at 6,500,000,000. The Germans claimed on May 1, 1921, a credit of 11,700,000,000 marks for property liquidated abroad. The Reparation Commission gave no credit under this heading, one reason being that the creditors had not reported to it concerning the value of the properties in question. Included in this property abroad is the value of the privately owned submarine cables, which have neither been divided nor appraised with a view to granting an appropriate credit to Germany.[2] Among the outstanding accounts are those represented by the holdings of German nationals in foreign countries and present mandated territories. The titles to these property holdings reverted to the victors, and the German Government was under obligation to reimburse its nationals. As the properties were disposed of, it fell to the benefiting Governments to enter the amount received to the credit of Germany. Meantime, Germany had made compensation to its nationals in fulfilment of their claims for this form of expropriation only respecting the smaller amounts.[3] There were inevitable discrepancies to be adjusted in the accounts as a result of this disconnected procedure.

[1] *Reparation*, Part VI, p. 285.

[2] The United States claims an interest in them.

[3] Claims not exceeding 5,000 Reichsmarks were paid in full; those above that amount were compensated on a scale from 50 to 2½% of their value in inverse ratio to their size. Austria and Hungary issued serial bonds in full compensation of claims.

Pre-Dawes Accounts Obsolete

The Committee of Experts understand that their proposal "will render obsolete the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes Plan, together with all accounts involving credits against its original capital debt." They thus contemplated an obliteration of the complicated and disputed claims which have been slightly indicated above. The experts believed that the definite character of their plan requires such action. Recognizing that the decision was solely up to the Governments, "they consider that the creditor Governments are fully entitled to expect that Germany should waive [its unsettled claims] in consideration of the consolidation of the creditors' claims at a reduced figure." The creditors tacitly acquiesced in this recommendation, thus avoiding consideration of matters which would have been embarrassing.

The understanding of the committee that its settlement would render "obsolete . . . all accounts involving credits against the original capital debt" forecast the final disappearance of the A, B and C bonds of the 1921 Schedule of Payments, at least so far as Germany is concerned. It was originally contemplated that those bonds should be canceled by German payments. No such cancellations took place, and the published records show but one effort to operate those bond issues. A condensed statement of December 31, 1922,[1] shows 120,000 gold marks of Series A bonds subtracted from the debt "due to be amortized as at May 1, 1922." The amortization was not effected and, as a consequence, no retirement of bonds was ever made, and apparently no serious consideration was given to the application of Dawes annuity receipts to their service. Series A bonds were issued to the Reparation Commission on July 1, 1921, and Series B bonds on November 1, 1921, with interest and amortization coupons attached. They remained intact. Series C bonds of a nominal value of

[1] *Statement of Germany's Obligations*, Reparation Commission, IV, p. 21.

82,000,000,000 gold marks were delivered to the Reparation Commission on November 1, 1921, without coupons attached.[1] When all accounts for the pre-Dawes period were closed by being called obsolete and the certificate of indebtedness provided for in Annex III of the new Plan was turned over to the Bank for International Settlements, these three series of bonds became simply historical mementos.

One phase of the liquidation called forth no comment from the Committee of Experts. By Art. 296 of the treaty of Versailles, outstanding pecuniary obligations between German nationals and those of the opposing states were to be settled through clearing offices set up by the interested countries. By Art. 297, detailed provisions were made for the adjudication of questions of private property, rights and interests, the liquidation of which was to be made through the clearing offices or submitted to mixed arbitral tribunals. The magnitude of these claims was great, but their settlement had progressed to such a point that the Committee of Experts did not see that the final winding up of the system required any particular recommendations. Under Art. 296, the allied claims notified numbered more than 450,000, of which over 368,000 had been disposed of by March 31, 1928; while German claims numbered over 680,000, of which more than 530,000 had been disposed of.[2] Under Art. 297, about the same proportion

[1] By various interallied agreements charges against the C bonds on German, Austrian and Hungarian reparation accounts were indicated. The experts did not insist on disturbing such agreements, but the creditors disregarded the proffered opportunity to revert to past practices.

[2] On October 1, 1928, only 459 British claims were outstanding out of an original total of 101,555 worth £76,225,153, and 739 German claims out of a total of 266,151 worth £63,104,363. The other claims were Belgian, French, Greek, Italian and Siamese.

On the same date under Art. 248 of the treaty of St. Germain-en-Laye there were 148 British claims against Austria outstanding out of an original total of 16,721 worth £14,219,562, and 56 Austrian claims against the British Empire out of 10,553 worth £3,558,851. The bulk of claims under the article were, however, not British.

On the same date under Art. 231 of the treaty of Trianon 362 British claims were outstanding against Hungary out of an original total of 12,558 worth £6,947,788, and 38 Hungarian claims against the British Empire out of a total of 1,003 worth £355,936. The bulk of the claims under the article were, however, not British.

Debt claims under Art. 176 of the treaty of Neuilly sur Seine by or against Bulgaria were originally small in amount and concerned Bulgaria's nearer neighbors for the most part.

For later details see *Ninth Annual Report of the Controller of the Clearing Office . . .* (London, H. M. Stationery Office, 1930).

of settlement maintained.[1] Both the clearing offices and the mixed arbitral tribunals were so close to the exhaustion of their work that the experts did not need to provide for discontinuance of payments.

Any adjustment of accounts between debtor and creditor involved in their winding up was included in the consolidation of the claims contemplated by the Committee of Experts.

Dissolution of Joint Liability

The Committee of Experts made an important pronouncement in stating that "the acceptance of this plan necessarily involves the dissolution of the joint liability of Germany on the one side with Austria, Hungary and Bulgaria on the other side for reparation." By the treaties of peace with Germany, Austria and Hungary, each of them accepts the responsibility of itself and its allies "for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war." Bulgaria recognized that "she ought to make complete reparation" for the "losses and sacrifices of all kinds" which she had caused "by joining in the war of aggression which Germany and Austria-Hungary waged against the Allied and Associated Powers."

The joint liability thus created by the four treaties at-

[1] On October 1, 1928, under Art. 297 of the treaty of Versailles a total of 380,892 British and German claims for £205,008,847 had been dealt with by the Clearing Office and only 255 for £4,256,529 were outstanding. The British-German Mixed Arbitral Tribunal had pending 1,198 cases, and had disposed of 1,535 cases in the previous year. Conditions respecting Belgium and France under the article were comparable. Siamese amounts were closed, but Greece and Italy made no report.

On the same date under Art. 249 of the treaty of St. Germain-en-Laye 27,413 Austrian and British claims for £25,972,411 had been handled and 23 were outstanding. The Anglo-Austrian Mixed Arbitral Tribunal had 21 cases pending. The Austrian situation toward other states was less satisfactory.

On the same date under Art. 232 of the treaty of Trianon 13,219 British and Hungarian claims for £7,775,153 had been dealt with and only two were outstanding. The Austro-Hungarian Mixed Arbitral Tribunal had 77 cases pending. The Hungarian situation toward other states was less satisfactory.

On the same date under Art. 177 of the treaty of Neuilly sur Seine all British-Hungarian claims were disposed of. The Hungarian situation toward other states respecting claims under Art. 177 was, however, more complicated and less advanced.

Decisions of some 50 tribunals are printed in *Recueil des décisions des Tribunaux Arbitraux mixtes*, I– (Paris, 1922–).

tracted practically no public attention in the development of the reparation problem.

Art. 121 of the treaty of Neuilly sur Seine fixed the sum to be paid by Bulgaria at 2,250,000,000 gold francs to be amortized in 37 years from January 1, 1921. By a protocol of March 21, 1923,[1] a schedule of payments of 550,000,000 gold francs at 5% interest [2] extending over a period of 60 years was signed. On March 28, 1923, another protocol settled Bulgarian occupation costs at 25,000,000 gold francs, payable in 10 years with interest at 5%.[3]

In connection with Austrian reconstruction, the Reparation Commission in February, 1923, excepted Austrian public revenues and receipts from all reparation charges for a period of 20 years in favor of the Austrian reconstruction and relief credit indebtedness.[4] On February 21, 1924, the Reparation Commission [5] excepted specified Hungarian revenues from reparation liability and laid down a schedule of semiannual payments on reparation account amounting to 200,000,000 gold crowns until December 31, 1943. Austro-Hungarian and Austrian and Hungarian prewar secured debts were identified [6] by the Reparation Commission as amounting to about 3,500,000,000 prewar [7] crowns and the Austrian and Hungarian unsecured debts to about 14,500,000,000 paper crowns. These debts are distributable among the succession states and, as a con-

[1] Great Britain *Treaty Series* No. 1, 1925, Cmd. 2303.

[2] "Instalment 'B' shall constitute the remainder of the debt," and was not to be claimed before April 1, 1953, without interest.

[3] Great Britain *Treaty Series* No. 2, 1925, Cmd. 2304.

[4] A recommendation on relief charges to the same effect was accepted by the Governments concerned, *The Financial Reconstruction of Austria. General Survey and Principal Documents*, p. 151–152 (League of Nations, C. 568. M. 232. 1926. II).

[5] *The Financial Reconstruction of Hungary. General Survey and Principal Documents*, p. 197 (League of Nations, C. 583. M. 221. 1926. II. 54).

[6] Reparation Commission, *Official Documents*, VII and XIII. The distribution was regulated by the Innsbruck protocol of June 29, 1923. See the treaty of St. Germain-en-Laye, Arts. 41, 52, 58, 61, 203 and 208 and the treaty of Trianon, Arts. 44, 47, 52, 186 and 191.

[7] The Austro-Hungarian prewar or gold crown was worth 20.26 cents, or 4.94 to the dollar.

sequence, Czechoslovakia, Poland, Rumania, Yugoslavia and Italy are due to assume considerable portions of them.[1]

By Art. 11 of an agreement between the finance ministers of the allied states signed at Paris March 11, 1922, the Reparation Commission was to fix the reparation debts of Austria and Hungary at not less than the total value of the properties transferred by them "under the treaties of St. Germain and Trianon plus six milliards of gold marks." On the creation of Series C bonds of the 1921 Schedule of Payments, bonds to the amount fixed were to be allocated to these debts.[2] As the matter then stood, bonds issued by Germany were to be allocated for payment by the other debtor states.

The Committee of Experts recommended — or rather stated — that its plan "necessarily involves the dissolution" of this joint liability. They added that it "therefore finally abolishes every obligation present or future in either direction which may result between these powers from this joint liability." The dissolution of the joint liability was arranged for as a continuation of work already done respecting those minor reparation debts by the Reparation Commission.

The Committee on Liquidation of the Past[3] advised leniency toward Austria. The conference at The Hague in January maintained the moratorium running until 1943 and annulled the reparation lien on Austrian property and

[1] The following were the quotas calculated by the Reparation Commission in January, 1925 (*Official Documents*, VII, p. 18, 19):

	Austrian Debt (Per Cent)	Hungarian Debt (Per Cent)
Austria	36.827	1.716
Czechoslovakia	41.700	17.384
Hungary	—	49.629
Italy	4.087	.812
Poland	13.733	—
Rumania	1.610	23.659
Yugoslavia	2.043	6.800

[2] *Reparation*, Part I, p. 19, 20.

[3] The Committee on Liquidation of the Past was appointed by the president of the Hague Conference and met at Paris, September 16–November 22, 1929, and consisted of representatives of Germany, Belgium, British Empire, France, Greece, Italy, Japan, Poland, Portugal, Rumania and Czechoslovakia.

revenues. The effect was to "free Austria of all financial obligations resulting from the treaties of peace." Administrative debts and special credits against the country were abrogated. Subsequent arrangements, including the reconstruction loan and the agreements with the United States postponing the payment of obligations, maintain their validity.

The Bulgarian figure was fixed by the Committee on Liquidation of the Past, appointed by the president of the Hague conference, at 15,000,000 gold francs payable annually for 37 years. On the announcement of this figure in Sofia about November 19, public demonstrations of protest occurred. As a consequence, a diplomatic offer of annuities of 12,500,000 gold francs was made, the Bulgarian Government holding at the time that the national capacity to pay did not exceed 10,000,000. The settlement at The Hague in January arranged a schedule of 5,000,000 gold francs payable before April 1, 1930, 10,000,000 gold francs annuities from April 1, 1930, to March 31, 1940, of 11,500,000 from 1940–1950 and of 12,515,238 from 1950–1966. Annuities are payable half-yearly on March 31 and September 30. The total is 420,243,000 gold francs.

The Bulgarian payments are distributed as follows: Payment of 5,000,000 gold francs on April 1, 1930, and current undistributed assets, to Greece; payments, 1930–43, Greece, 76.73%; Rumania, 13%; Yugoslavia, 5%; Czechoslovakia, 1%; under Spa agreement, 4.27%. Provision for distribution of payments 1944–66 is not specifically made by the arrangement of January 20, 1930, between the creditors.[1] In addition, 110,000,000 lei to Rumania for property liquidation, paid in 1930.

Hungarian indebtedness created a complicated argument. Hungary claimed that property ceded by it amounted to 12,000,000,000 pengös,[2] while other estimates were only one-third of that sum. Hungary also held that the allocation of 45.7% of the Austro-Hungarian prewar debt to the

[1] Arts. III, IV, *Agreements*, p. 171.

[2] The pengö is 17.49 cents, 5.72 to the dollar.

country was unfair, in view of the fact that it received only 28% of the territory and 36% of the population of the former monarchy. The attempted settlement was for a considerable time stalled on account of the introduction of the question of the Hungarian optants in Transylvania. This complicated Hungarian-Rumanian question had been pending before the League of Nations for several years, having been referred to its Council after a decision of the Mixed Arbitral Tribunal established under the treaty of Trianon was contested. Hungary opposed its being considered in connection with the reparation settlement. Hungary also defended its rights under Art. 250 of the treaty of Trianon, which had the effect of securing to the country restitution of property, rights and interests seized by Rumania in its post armistice invasion, and preventing the retention or liquidation of private Hungarian property in ceded territory.[1]

The settlement of Hungarian reparation was the last problem to be solved at the second session of the Hague conference. The Reparation Commission schedule of February 21, 1924, was maintained. By this Hungary pays 200,000,000 gold crowns from January 1, 1924, to December 31, 1943, the payment for the calendar year 1930 being 7,000,000 gold crowns and the annuity rising to 14,000,000 in the last two years. From 1944 to 1966 a constant annuity of 13,500,000 gold crowns will be paid for claims other than reparation. Hungarian payments in liquidation of the war are, therefore, fixed at:

	Gold Crowns
Reparation, 1924–1943	200,000,000
Payments, 1944–1966 (13,500,000 gold crowns for 22 years)	297,000,000

The settlement of claims arising out of the cessions of territory by Hungary to the succession states was effected by an agreement responding to the desire of all interested parties for conciliation and peace. Hungary, Czechoslovakia, Rumania and Yugoslavia all recorded that they

[1] *Reparation*, Part I, p. 18.

maintained their legal points of view respecting Art. 250. But by employing arbitration and by creating two funds they found means to effect a complete settlement.

The Mixed Arbitral Tribunals suspend their activities for six months to allow an opportunity for direct settlement of claims. After that period, outstanding cases under Art. 250 of the treaty of Trianon will be heard by the three judges of the tribunals reinforced by two neutral judges nominated by the Permanent Court of International Justice, to which such cases can be appealed. The latter provision had been a Hungarian contention in connection with the case of the optants in Transylvania from the beginning of that dispute. This scheme covers all questions of Hungarian optants under the agrarian reform programs of the succession states.

The claims of Hungarian nationals against the creditor countries are liquidated by special funds made up from a variety of sources. Fund A is devoted to the agrarian claims and will amount to 219,500,000 gold crowns built up from contributions by states and persons benefiting from the reallocations of land settled under it. Through 1943, Belgium, France, Great Britain, Italy, Japan and Portugal contribute toward the capital up to an annual total of 3,600,000[1] gold crowns. The French, Italian and British contributions will bear a ratio of 40–40–20 to each other. Contributions by Czechoslovakia, Rumania and Yugoslavia to the fund are absolute, and the French, British and Italian quotas will be proportionately reduced in case there is a surplus. For the 23 years (1944–66) Czechoslovakia, Rumania and Yugoslavia contribute 6,100,000 gold crowns. All awards will be against the fund rather than any state. The managing committee will consist of four appointees of Hungary and three of the Financial Committee of the League of Nations.

Fund B provides for the settlement of the nonagrarian claims, the properties of the Hapsburg family, the church foundations, organizations, industrial and commercial

[1] But see final text of April 28, 1930, *L'Europe nouvelle*, May 3, 1930, p. 700 at 703.

companies, etc. Its capital is to be 100,000,000 gold crowns, drawn primarily from contributions by the succession [1] and other states benefiting by the allocations of property. If the contributions are inadequate, a total amount of 7,400,000 gold crowns from the annuities payable by Hungary from 1944–66 may be used to complete it. It will be administered by a committee appointed by France, Great Britain, Italy, Czechoslovakia, Rumania and Yugoslavia. For the 13 years (1931–43) Great Britain, France and Italy contribute 3,000,000 gold crowns on a 20–40–40 ratio.

The Hungarian payments up to 1943 are distributable as follows: Current assets to June 30, 1930, to Yugoslavia; payments, July 1, 1930, to December 31, 1943, Greece, 76.73%; Rumania, 13%; Yugoslavia, 2%; Czechoslovakia, 1%; under Spa agreement, 7.27%.[2] From 1944 to 1966, there is allocated 7,400,000 gold crowns of the Hungarian payments to Fund B. The remainder is also devoted to special claims; during these 23 years Czechoslovakia, Rumania and Yugoslavia pay an equivalent amount, 6,100,000 gold crowns, into the Agrarian Fund.[3]

The handling of the liberation debt of Czechoslovakia and the other succession states has been distributed on the basis of balance between debtor and creditor. Funds were payable by the succession states into the account of the allies and distributed as reparation among the principal allied and the succession states. The state property taken over was distributed as to one-half among Belgium, France, Great Britain, Italy and Japan in the proportion of the Spa percentages. The other half was distributable in the following percentages: Italy, 60%; Greece, 25%; Rumania, 20%; Yugoslavia, 15%. The state properties involved were very much reduced in the final accounts. The following table shows their estimated values on being taken over and the payments due from the recipients:

[1] The succession states are those which received territory of the former Austro-Hungarian monarchy. They are Czechoslovakia, Italy, Poland, Rumania and Yugoslavia, but Poland has been very little affected by the problems involved.

[2] *Agreements*, p. 171.

[3] *Ibid.*, p. 165, 163, 161.

	Original Value	Due to Funds
Czechoslovakia	3,889,000,000 gold crowns	750,000,000 gold crowns
Poland	3,143,000,000 gold crowns	225,495,000 gold francs
Rumania	1,053,000,000 gold crowns	235,140,000 gold francs
Yugoslavia	1,890,000,000 gold crowns	148,045,000 gold francs
Italy	838,000,000 gold crowns	59,252,000 gold francs
	10,813,000,000	– –

Art. 58 of the treaty of peace with Austria and Art. 52 of that with Hungary provide that "the proportion and nature of the financial obligations of the former Austrian Empire (and Hungary) which the Czechoslovak State will have to assume on account of the territory placed under its sovereignty will be determined in accordance with" the financial clauses (Arts. 203 and 186 of the respective treaties). This so-called "liberation debt" was due to Austria and Hungary or to their creditors. It was the subject of an agreement at The Hague which fixed it in annuities of 10,000,000 Reichsmarks for 37 years. This includes definite settlement of obligations toward France and Italy, and seals the transfer of some 4,000,000,000 prewar crowns, worth of state property. Czechoslovakia, however, is awarded 1% of the receipts from Bulgarian and Hungarian reparation.

The Czechoslovak annual payment for 36 years is distributed as follows:[1]

	Gold Marks
France	3,187,854
Great Britain	1,384,519
Italy	3,146,632
Belgium	418,816
Japan	51,920
Portugal	51,920
Greece	1,758,339

[1] *Agreements*, p. 170.

The other indebtedness of similar character due from Italy, Poland, Rumania and Yugoslavia established by the treaties of peace and the agreements of September 10 and December 6, 1929,[1] was in the end fairly small on balance. The amounts are accounted for in the British-Italian adjustment of August and the Hungarian funds as established in January.

Unliquidated Property

When the treaty of Versailles was made, the victors were interested in depriving Germany of any rights and interests which it or its nationals had acquired in Russia, China, Turkey, Austria, Hungary and Bulgaria. As a consequence, Art. 260 of the treaty of Versailles required the transfer of all properties situated in those countries to the Reparation Commission. Any liquidation of such properties not concluded was stopped on the recommendation of the Committee of Experts. In continuation of the same policy, Germany undertook by Art. 261 of the treaty to transfer to the Allied and Associated Powers any claims which it might have to the payment or repayment by the Governments of Austria, Hungary, Bulgaria or Turkey, with all of which the Berlin Government had been during the war in close financial relations. The Committee of Experts recommended the discontinuance of those claims. The creditor states abstain from recovering any such credits from Germany and Germany renounces any net balance which might be due.

The experts recommended that the Governments, on accepting the report, make no further use "of their right to seize, retain and liquidate property rights and interests of German nationals or companies controlled by them." As a considerable amount of such property had been liquidated, put into liquid form, or finally disposed of, the experts recommended that all outstanding questions of

[1] See p. 64.

that type "should be definitely cleared up within one year after the coming into force of this plan."

This recommendation was carried out by a series of conventions with Germany which are enumerated in the final act. These include:[1]

Australia — Convention, The Hague, January 17, 1930;

Belgium — Convention on Belgian marks, Brussels, July 13, 1929;

Belgium — Convention, Brussels, July 13, 1929;

Canada — Convention, The Hague, January 14, 1930;

France — Convention, Paris, December 31, 1929;

Great Britain — Convention, London, December 28, 1929;

New Zealand — Convention, The Hague, January 17, 1930;

Poland — Convention, Warsaw, October 31, 1929.

By the convention of July 13, 1929, the Belgian Government renounced its right to make use from that date of Arts. 121 and 297(*b*) of the treaty of Versailles to seize, retain or liquidate the property, rights and interests of German nationals, companies or organizations, whether German or controlled by Germans, situated in Belgium, the Kongo, or territory under administration by mandate, in so far as they had not already been dealt with. Assets or credits in process of liquidation of several specified types were not affected, but all other properties in the possession of the Belgian Government were to be restored to the proper persons, together with all accruals thereto from June 7, 1929. Detailed arrangements for various types of property are set forth, and all disputes as to credits are settled by the Belgo-German Mixed Arbitral Tribunal. Differences as to the interpretation or application of the agreement are to be settled by a tribunal composed of a national of each party and a president chosen by both parties. The agreement enters into force simultaneously with the Young Plan.

The Polish-German agreement of October 31, 1929, canceled all counter claims to the liquidation of properties.

[1] Texts in *Entwürfe zu den Gesetzen*, fünfter Teil.

Negotiations were begun to abolish the German-Polish Mixed Arbitral Tribunal, which had been trying such cases. Future cases involving nationality will be left to the Council of the League of Nations. The Polish Government will not make use of its right to purchase farms belonging to German colonists and passing to other owners by inheritance in the first and second degrees, unless the heirs are condemned criminals. About 12,000 properties are affected. The suspension of liquidation ran from September 1, 1929.

This Warsaw agreement disposed of claims complicated in their nature, of several sorts and involving considerable value. According to the German summary[1] about 54,500 hectares of land were liquidated under Art. 92, par. 4, of the treaty of Versailles. Claims which ceased to be a subject of dispute were given as of the following values: Of German nationals against Poland 538,700,000 Reichsmarks; of Polish nationals of German origin 60,000,000 Reichsmarks; of Polish private cases pending against Germany 830,000,000 Reichsmarks; of lands in possession, claims to which were renounced by Poland, 50,000,000 to 60,000,000 Reichsmarks as to country lands and 5,000,000 to 10,000,000 as to city properties. The right of transfer to "colony lands" affected values of 250,000,000 Reichsmarks.

The British chancellor of the exchequer informed the German ambassador on November 11, 1929, that he could not entertain the claim of Germany for the unconditional return to it of all German private property confiscated during the war and remaining unliquidated. A draft agreement laying down a procedure for the liquidation of such property had been prepared as a result of conversations between British and German experts at the Board of Trade, and the chancellor suggested that it was Germany's interest to accept that plan to prevent resumption of liquidation. Mr. Snowden rejected absolutely Germany's claim of payment of all surpluses resulting from

[1] *Entwürfe zu den Gesetzen*, fünfter Teil, p. 95.

the liquidation of private property after the covering of British private losses in Germany on the ground that the decision of the Arbitral Tribunal of Interpretation of May 29, 1928, had decided that question.[1] The convention of December 28 established the *status quo* respecting liquidation. The document [2] is the most detailed of the liquidation settlements and provides different treatment for several categories of cases. The conventions of the dominions follow somewhat the same principles.

On December 31, 1929, the French foreign minister and the German ambassador at Paris signed an agreement providing for halting the liquidation of German properties in France and in Morocco, where German mineralogical concerns, especially the Mannesmann Brothers, were particularly active before the war. By the agreement, German properties in Morocco are to be retroceded within six months to holders agreeable to the Moroccan Government. After the lapse of that period, the Moroccan Government will exercise a right of preemption.

No complete figures have been computed as to the value of claims relinquished by this series of liquidation conventions. The French account has been closed. The value of German properties liquidated in France, Alsace-Lorraine and Morocco from 1920 to January 31, 1930, under Arts. 296 and 297 of the treaty of Versailles amounted to 3,575,377,564 francs. Of this total, 35,544,220 francs had not been paid out to French nationals.[3] About 20,000,000 Reichsmarks on the German side was returnable to the French.

British claims relinquished were said to be of some £50,000,000 (1,000,000,000 Reichsmarks) as against 40,000,000 Reichsmarks relinquished by Germany. German estimates of relinquishments to some other countries were: Belgium, 20,000,000, Canada, 6,500,000, Austria, 5,500,000 and New Zealand 370,000 Reichsmarks.[4]

[1] London *Times*, November 15, 1929, p. 14; November 28, p. 8.

[2] Published as Cmd. 3486.

[3] *Le Temps*, Économique et Financier, April 7, 1930, p. 1.

[4] *Entwürfe zu den Gesetzen*, fünfter Teil, p. 90.

VII. PAYMENT OF GOVERNMENTAL DEBTS

The Belgian, French, German, British and Italian experts signed on June 7, 1929, a concurrent memorandum regarding "out-payments." It is specifically stated that this memorandum is "not a part of the report" of the Committee of Experts. Nevertheless, it has a profound effect upon the entire problem of inter-governmental indebtedness, the central feature of which is dealt with in the report. The Belgian, French, German, British, Italian, Japanese and American experts provided in their report for payments by Germany extending over a period of 59 years, divided into two periods. The first period extends from September 1, 1929, through 36 years and seven months of German fiscal years to March 31, 1966. The second period extends through 22 German fiscal years from April 1, 1966, to March 31, 1988. Reparation payments proper are included in the first period. Provision is made through the Bank for International Settlements for aiding these payments of the last 22 years by a form of annuitizing a capital deposit. It is consequently probable that the payments by Germany in the last 22 years will be paid from a combination of capital income, the special German quota of the bank's profits and a contribution from the German budget, which remains constantly responsible for the total of all annuities. Conventions signed at The Hague on January 20, 1930, enact these proposals.

These arrangements were made to meet the insistence of the principal creditor states of Germany that they must receive from Germany a sum sufficient to meet their own inter-governmental indebtedness, which is to say their indebtedness to the United States Government. This insistence and Germany's acquiescence thereto accounted for the inclusion in the New Plan of the payments due from Germany in the second period. The American experts neither signed nor participated in the drafting of the concurrent memorandum regarding "out-payments."

This memorandum represents conclusions of policy respecting inter-governmental indebtedness arising from the Great War, which had been discussed over many years. There was an original disposition on the part of some of the victors to pool the indebtedness arising out of the war. Representatives of the United States at the Paris Peace Conference declined to discuss such a proposal. At one time it was extensively debated whether it was possible to simplify the total indebtedness by direct arrangements between the eventual debtor and the eventual creditor, under guaranty of the intermediate debtors.

In 1921 the Treasury Department of the United States submitted a draft bill to Congress providing "that the Secretary of the Treasury, with the approval of the President, is hereby authorized from time to time to refund or convert and to extend the time of payment of the principal or interest, or both, of any obligation of any foreign Government . . . , arising out of the European War, into bonds or other obligations of such, or any other, foreign Government. . . ." [1] Respecting this proposal Secretary Mellon in hearings before the Senate Committee on Finance stated on June 29, 1921: "It was considered desirable to be prepared for any contingency. You can imagine where a country may be weak in its resources and that country may have, say, German bonds or bonds of some other country. It may add to the security if those bonds can be accepted, and they naturally will be accepted, with the indorsement or guaranty of the country having the primary obligation."

That proposal was rejected by the Congress, which, in the act creating the World War Foreign Debt Commission approved February 9, 1922, provided:

> Section 3. That this act shall not be construed to authorize the exchange of bonds or other obligations of any foreign nation for those of any other foreign government, or cancellation of any part of such indebtedness except through payment thereof.

[1] S. 2135, 67th Cong., 1st sess.

The British Government was at the same time the largest debtor to the United States and the largest creditor outside of the United States Government. On August 1, 1922, the British Secretary of State for Foreign Affairs sent a note — commonly known as the "Balfour note" — to the French, Italian, Yugoslav, Rumanian, Portuguese and Greek Governments in which he discussed the conditions of international indebtedness.[1] He stated that an aggregate of about £3,400,000,000 was owing to Great Britain, £1,450,000,000 from Germany, £650,000,000 from Russia, and £1,300,000,000 was due from its allies. Great Britain in turn owed the United States a principal sum of about £850,000,000. The American Government had then "required this country to pay the interest accrued since 1919 on the Anglo-American debt, to convert it from an unfunded debt, and to pay it by a sinking fund in 25 years." This was "but one of a connected series of transactions, in which this country appears sometimes as debtor, sometimes as creditor, and if our undoubted obligations as a debtor are to be enforced, our not less undoubted rights as a creditor can not be left wholly in abeyance." Creditor Great Britain consequently called upon its debtors to make arrangements for settlement, and added:

> The policy favored by His Majesty's Government is . . . that of surrendering their share of German reparation and writing off through one great transaction the whole body of interallied indebtedness. But, if this be found impossible of accomplishment, we wish it to be understood that we do not in any event desire to make a profit out of any less satisfactory arrangement. In no circumstances do we propose to ask more from our debtors than is necessary to pay to our creditors. And, while we do not intend to ask for more, all will admit that we can hardly be content with less.

Between 1922 and 1926 the United States World War Foreign Debt Commission made settlements with its creditors, none of which was within the terms of the act

[1] British and Foreign State Papers, 116, p. 198; also Miscellaneous No. 7 (1922), Cmd. 1737.

of February 9, 1922, and all of which consequently required Congressional approval by separate revisionary acts of Congress. The original act had provided for a "minimum rate of interest of 4¼%" and refunding within 25 years. None of the actual settlements averaged interest above 3.306%, and all provided for complete refunding of the principal [1] over a period of 62 years.

In the course of negotiations for the refunding of the debts to the United States, several proposals were made to introduce a "safeguard clause" by which it was to be understood that the debtor was to be accorded consideration in case its receipts from Germany on reparation account failed. Such a clause was constantly rejected by the commission.[2]

The attitude of the United States, to keep the indebtedness involved wholly a transaction between original debtor and original creditor, was further evidenced in the funding

[1] Together with accrued interest to date of the agreement, capitalized additionally.

[2] The acceptance by France of the debt agreement with the United States occurred more than three years after the signing of the document and after an extensive national debate inside and outside of the parliament. The vote on July 20, 1929, in the Chamber was 304 to 292 in favor of a naked authorization of ratification by the President of France in proceedings in which the cabinet continuously made a favorable vote a question of confidence in the Government. The Finance Commission of the Chamber was opposed to naked ratification and, though its proposal was defeated, its text represents the oppositional ideas and is, therefore, quoted:

"Under reserve of the present state of international settlements and under the express reservation that in any case France shall be called upon to devote to the payments provided for in the agreement concluded at Washington, April 29, 1926, only those amounts which it shall itself receive by virtue of the said settlements, the President of the Republic is authorized to ratify the agreement concluded at Washington, April 29, 1926, between the Government of the United States of America and the Government of the French Republic for the consolidation and reimbursement in 62 annuities of the debts contracted by France toward the United States of America."

However, before the rejection of the Commission's proposal, the Chamber had adopted by 282 votes to 274 a resolution reading as follows:

"The Chamber, being now faced with the problem of the ratification of the agreements of Washington and London, and on the eve of the day when the Government is to take part in the labors of the International Conference, renews its fraternal sentiments toward the nations who fought side by side with France in the World War and,

"Considering that France can not, without the gravest disturbance of her national economy, find the means necessary for the fulfilment of the agreements of April 29 and July 12, 1926, unless the German obligations to her are regularly discharged,

"Declares that the charges imposed on the country by the said agreements ought to be covered exclusively by such sums as Germany pays to France, apart from those paid for reparation."

The Senate, 242 to 30, approved ratification on July 26.

of the Belgian debt. Belgium's indebtedness to the United States consisted of two separate sums. The United States had advanced money to the Belgian Government in connection with its conduct of the war and had also loaned it money for national purposes after the armistice. The President of the United States and representatives of the Allies had formally agreed at the Peace Conference that the Belgian prearmistice debt was to be made an obligation of the German Government.[1] The American share of that debt was $170,780,000. In the negotiations Belgium argued that that portion of its debt should be collected direct from Germany. The United States declined to accept this argument, but did agree that the principal amount should be repaid without the addition of interest. The agreement to this effect was made on August 18, 1925. On the previous January 14, the United States, together with all the other creditors of Germany on reparation account, had signed at Paris a financial agreement regarding the distribution of the Dawes annuities by which a portion of each annuity was set aside for reimbursement of the Belgian war debt. Of this annual sum France was to receive 46% direct, Great Britain 42%, "and Belgium (by reason of her debt to the United States of America) 12%." Belgian budget receipts under this head are used to offset the Belgian prearmistice indebtedness to the United States.

France and Great Britain have followed the lead of the United States in the refunding of inter-governmental indebtedness due to the war. Altogether, the three countries as creditors have debt settlements on the war account totalling 16, as follows: [2]

[1] Art. 232 of the treaty of Versailles. On June 16, 1919, the American, British and French chief delegates agreed to recommend to their Governments acceptance of German reparation bonds in lieu of Belgian obligations. The President so recommended to Congress on February 22, 1921.

[2] The agreements are:

United States — Belgium, August 18, 1925; France, April 29, 1926; Great Britain, June 18, 1923; Greece, January 18, 1928; Italy, November 14, 1925; Rumania, December 4, 1925; Yugoslavia, May 3, 1926.

France — Greece, January 20, 1930; Rumania, January 17, 1930; Yugoslavia, January 20, 1930.

Great Britain — France, July 12, 1926; Greece, April 9, 1927; Italy, January 27, 1926; Portugal, December 31, 1926; Rumania, October 19, 1925; Yugoslavia, August 9, 1927.

United States	7
Great Britain	6
France	3

All recipients of reparation, with the exceptions of Japan and the United States, are debtors on the war account and are looking to German reparation payments to meet those obligations.

Until the discussions taking place in the Committee of Experts occurred, no authentic expression of German opinion regarding that country's willingness to appear as the eventual debtor in all of these transactions had been given. The concurrent memorandum of June 7, by reason of its acceptance by the German experts, placed Germany in the same position as all of the interested countries, with the exception of the United States.

The concurrent memorandum identifies for each year of the 59 years of payments under the plan the annual amount which the recipients will require to meet their governmental indebtednesses. The proportion of the German payments devoted to this end represent the major part of the receipts, 77% of the total from 1929 to 1986. During the first period of the plan the amounts are:

Year	Total	Out-Payments
5	1,804.3	1,136.4
10	1,995.3	1,352.5
15	2,194.3	1,451.5
20	2,210.0	1,467.1
25	2,353.3	1,498.1
30	2,393.8	1,538.6
35	2,402.6	1,547.4
37	2,428.8	1,573.7

By the concurrent memorandum, the Belgian, French, German, British and Italian experts agree "that, in the event of modifications of those obligations for out-pay-

ments, by which the creditors benefit, there should be some corresponding mitigation of the German annuities." In effect, this puts into operation as between them the principle enunciated in the Balfour note of 1922.

The principles of the arrangements by which Germany will benefit are set forth in detail. In general, Germany will receive two-thirds of the net relief available by way of reduction during the first period of 37 years, one-third being allocated to the creditor. So long as Germany's liability "persists" for the period after March 31, 1966, $8^1/_3\%$ of the net relief retained by the creditor is to be paid into the Bank for International Settlements. Such sums will accumulate in the bank to assist Germany toward meeting her liabilities in respect of the period after March 31, 1966. After that date, all net relief shall be applied to reduce Germany's liabilities.

The concurrent memorandum provides for conditions which might exist in case the "out-payments" were reduced to such an extent "as to change materially the proportions in which the total annuities provided for in the present plan are divided" among the creditors. Should such remission of debts occur as to bring that situation about, the creditor Governments are to meet to consider a revision tending toward restoration of the proportions fixed by the plan. Such arrangements will be made with a desire to accelerate the liquidation of reparation as well as to reduce its burdens.

These provisions for interrelating inter-governmental indebtedness resulting from the Great War, it will be noticed, retain a considerable amount of the independent action of the respective parties which has been the outstanding characteristic of the whole series of transactions. The debtors were unable, in view of the refunding agreements which they had made, to effect joint arrangements. In this connection there was considered the possibility of employing any remission of indebtedness to reduce the postponable annuities called for in the plan, postponement

to Germany running *pari passu* with postponement accorded in respect to inter-governmental indebtedness.

The provisions of the concurrent memorandum were enacted in an arrangement signed at the second session of the Hague conference by Belgium, France, Great Britain and Northern Ireland, Greece, Italy, Portugal, Rumania and Yugoslavia.[1]

The Belgian Marks Settlement

While the Germans occupied Belgium in the course of the Great War, they controlled the Government of the country. One exercise of this control was the issuance to the public of a mark currency, which remained in circulation for some time. After resumption of Belgian control of the country and Government, the German marks were withdrawn, and their value remained a charge on the Belgian Government. The Brussels authorities had frequently presented their claim under this head as a reparation claim, but it had never been admitted as such. In the interval since 1920 several unsuccessful efforts had been made by the Belgian and German Governments to reach an agreement upon the matter, which greatly interested the Belgian people and, as a consequence, had become a political factor with them. The Brussels Government was, therefore, insistent that a definitive settlement of the reparation problem should provide for a satisfaction of the Belgian mark claim.

None of the other interested Governments had admitted that the claim fell within the treaty categories defined as reparation, but the discussions preceding the call of the committee had made it clear that they favored its concurrent settlement. The Committee of Experts did not accept the mark claim as an item to be included in their settlement. On the other hand, Belgian public opinion, which the Belgian experts necessarily reflected, made it impossible for them to accept a report which did not at

[1] See text of arrangement and memorandum, *infra*, p. 239.

least constructively satisfy the demand of their people. The Belgian experts were insistent that they would be unable to sign a report that did not at least put the mark claim on the definite way to settlement.

The problem was solved, so far as the Committee of Experts was concerned, by undertakings between the Belgian and German experts, whose exchanges of letters were formally made an annex to the report of the whole committee. In this Annex VI, the experts "recognize that the New Plan can not become operative until the Belgian and German Governments have come to an internationally binding agreement on the mark claim." By the letters attached, Dr. Schacht, the first German expert, informed the chairman of the Committee of Experts that the German Government was prepared immediately to enter into "negotiations on a new basis looking to a definite settlement of the mark controversy" and to agree that the negotiations should be concluded before the New Plan was put into force. The German Government had appointed its representative and emphasized that the proposal was made in a conciliatory spirit and in an effort in good faith to remove this impediment to friendly relations between the two countries.

By Art. 34 of the treaty of Versailles, Germany renounced its rights and titles over the territories known as the circles of Eupen and Malmédy to Belgium, the cession to be confirmed within six months by a plebiscite of which the result was to be reported to the League of Nations. The German Government in 1920 complained frequently to the Council of the League concerning the methods by which the plebiscite was conducted and filed a protest against the confirmation by the Council of the plebiscitary vote favorable to Belgium. In connection with the negotiations respecting the Belgian mark claim, the Germans had raised the question of an adjustment of that territorial question in connection with the financial arrangement. Dr. Schacht's letter of June 3 to Mr. Young made

no mention of that possible phase of the negotiation. On June 4, Herr Kastl, the second German expert, addressed to Thomas W. Lamont, the American alternate expert, a further note intended to assure the Belgians on this point. In it Mr. Kastl quoted Dr. Ritter, who was appointed to represent the German Foreign Office in the settlement, to the effect that "no territorial questions will be raised in these negotiations."

On the same day, Emile Francqui, the first Belgian expert, informed the president of the committee that, in view of the undertakings of these letters, the Belgian delegation, which "has refused to sign the report before a settlement of the mark question had been realized," now agreed to sign it "before the mark negotiations have been terminated."

The negotiations thus provided for were concluded by a Belgo-German agreement signed at Brussels on July 13. As contemplated by the Committee of Experts, it took the form of annuities similar to those covered in the report and also provided for the payments being administered in the same way by the Bank for International Settlements. The initial claim of the Belgians was 390,000,000 marks. The agreement reached gave a present value of 320,000,000 marks.[1] The annuity payments are as follows:

1.	September 1, 1929–March 31, 1930	16,200,000
2–4.	April 1, 1930–March 31, 1933	21,500,000
5–12.	April 1, 1933–March 31, 1941	26,000,000
13–20.	April 1, 1941–March 31, 1949	20,100,000
21–37.	April 1, 1949–March 31, 1966	9,300,000

The German engagement to pay is unconditional, but the right to make payment by deliveries in kind is reserved.

Simultaneously with the signing of this agreement, another was signed at Berlin between Belgium and Germany providing for the restoration of sequestrated German properties which had not been liquidated. This arrange-

[1] Luxemburg, in which marks were also issued, benefits by the settlement to the extent of 1/80 of the total.

ment was in fulfilment of the recommendation of the Committee of Experts in Part IX of their plan. It involved a settlement of properties valued at about 400,000,000 Belgian francs ($5,700,000).

As the Belgian mark payments by Germany are additional to the annuities of the New Plan, the entire schedule is here given: [1]

[1] *L'Europe Nouvelle*, August 3, 1929, p. 1075.

Sums to be Paid by Germany to Belgium

	Millions of Reichsmarks	Value in Belgian Francs
September 1, 1929–March 31, 1930	16.2	138,769,200
1930–1931	21.5	184,169,000
1931–1932	21.5	184,169,000
1932–1933	21.5	184,169,000
1933–1934	26.0	222,716,000
1934–1935	26.0	222,716,000
1935–1936	26.0	222,716,000
1936–1937	26.0	222,716,000
1937–1938	26.0	222,716,000
1938–1939	26.0	222,716,000
1939–1940	26.0	222,716,000
1940–1941	26.0	222,716,000
1941–1942	20.1	172,176,600
1942–1943	20.1	172,176,600
1943–1944	20.1	172,176,600
1944–1945	20.1	172,176,600
1945–1946	20.1	172,176,600
1946–1947	20.1	172,176,600
1947–1948	20.1	172,176,600
1948–1949	20.1	172,176,600
1949–1950	9.3	79,663,800
1950–1951	9.3	79,663,800
1951–1952	9.3	79,663,800
1952–1953	9.3	79,663,800
1953–1954	9.3	79,663,800
1954–1955	9.3	79,663,800
1955–1956	9.3	79,663,800
1956–1957	9.3	79,663,800
1957–1958	9.3	79,663,800
1958–1959	9.3	79,663,800
1959–1960	9.3	79,663,800
1960–1961	9.3	79,663,800
1961–1962	9.3	79,663,800
1962–1963	9.3	79,663,800
1963–1964	9.3	79,663,800
1964–1965	9.3	79,663,800
1965–1966	9.3	79,663,800
	607.6	

CONSPECTUS OF ALL REPARATION PAYMENTS

(Millions and decimals thereof)

Annuity Year	Year ending March 31	Germany (Reichsmarks)			Bulgaria (Gold Francs)	Hungary (Gold Crowns)	Czechoslovakia (Reichsmarks)
		Young Annuity	United States	Belgium			
1	1930	676.9	65.9	16.2	5.0	7.0	10.0
2	1931	1,641.6	66.3	21.5	10.0	8.0	10.0
3	1932	1,618.9	66.1	21.5	10.0	9.0	10.0
4	1933	1,672.1	66.1	21.5	10.0	10.0	10.0
5	1934	1,744.9	59.4	26.0	10.0	11.0	10.0
6	1935	1,807.5	59.4	26.0	10.0	12.0	10.0
7	1936	1,833.5	59.4	26.0	10.0	13.0	10.0
8	1937	1,880.3	59.4	26.0	10.0	13.0	10.0
9	1938	1,919.8	57.2	26.0	10.0	13.0	10.0
10	1939	1,938.1	57.2	26.0	10.0	13.0	10.0
11	1940	1,983.4	59.4	26.0	10.0	13.0	10.0
12	1941	2,096.1	59.4	26.0	11.5	13.0	10.0
13	1942	2,114.6	66.1	20.1	11.5	14.0	10.0
14	1943	2,131.9	66.1	20.1	11.5	14.0	10.0
15	1944	2,128.2	66.1	20.1	11.5	13.5	10.0
16	1945	2,141.4	66.1	20.1	11.5	13.5	10.0
17	1946	2,137.7	66.1	20.1	11.5	13.5	10.0
18	1947	2,133.4	66.1	20.1	11.5	13.5	10.0
19	1948	2,149.1	66.1	20.1	11.5	13.5	10.0
20	1949	2,143.9	66.1	20.1	11.5	13.5	10.0
21	1950	2,240.7	76.1	9.3	11.5	13.5	10.0
22	1951	2,283.1	76.1	9.3	12.5[1]	13.5	10.0
23	1952	2,267.1	76.1	9.3	12.5	13.5	10.0
24	1953	2,270.1	76.1	9.3	12.5	13.5	10.0
25	1954	2,277.2	76.1	9.3	12.5	13.5	10.0
26	1955	2,288.5	76.1	9.3	12.5	13.5	10.0
27	1956	2,283.7	76.1	9.3	12.5	13.5	10.0
28	1957	2,278.1	76.1	9.3	12.5	13.5	10.0
29	1958	2,285.7	76.1	9.3	12.5	13.5	10.0
30	1959	2,317.7	76.1	9.3	12.5	13.5	10.0
31	1960	2,294.5	76.1	9.3	12.5	13.5	10.0
32	1961	2,304.4	76.1	9.3	12.5	13.5	10.0
33	1962	2,322.2	76.1	9.3	12.5	13.5	10.0
34	1963	2,314.1	76.1	9.3	12.5	13.5	10.0
35	1964	2,326.5	76.1	9.3	12.5	13.5	10.0
36	1965	2,326.0	76.1	9.3	12.5	13.5	10.0
37	1966	2,352.7	76.1	9.3	12.5	13.5	10.0
	Totals	76,925.6	2,557.7	607.6	420.2	473.5	370.0
	Totals in dollars	$18,308.3	$608.7	$144.6	$80.9	$95.8	$88.06
	1967–88	33,810.1 $8,046.8					
	1967–81	–	612.0 $145.6				

Grand total in dollars, $27,519,248,000

[1] 15,238 francs additional in the annuities 1951–66 are included in the total.

RECEIPTS ON ALL ACCOUNTS, 1930–36.

G — German payments in Reichsmarks ($0.238).
B — Bulgarian payments in gold francs ($0.19295).
C — Czechoslovak payments in Reichsmarks ($0.238).
H — Hungarian payments in gold crowns ($0.2026). Hungarian receipts from Great Britain, France and Italy are in gold crowns.

Great Britain receives annuities of 16,650,000 Reichsmarks from France, of 3,150,000 from Belgium and of 9,000,000 from Italy not tabulated.

(000 omitted)

	Years ending March 31						
	1930	1931	1932	1933	1934	1935	1936[1]
France	G 418,800 C 3,188	G 900,700 C 3,188	G 838,400 C 3,188	G 879,800 C 3,188	G 879,100 C 3,188	G 941,800 C 3,188	G 962,800 C 3,188
British Empire	G 53,100 C 1,384	G 366,800 C 1,384	G 362,000 C 1,384	G 364,500 C 1,384	G 454,800 C 1,384	G 450,100 C 1,384	G 444,900 C 1,384
Italy	G 42,500 C 3,146	G 156,000 C 3,146	G 190,800 C 3,146	G 196,300 C 3,146	G 192,400 C 3,146	G 193,600 C 3,146	G 195,200 C 3,146
Belgium[2]	G 86,900 C 418	G 119,700 C 418	G 124,100 C 418	G 126,800 C 418	G 126,300 C 418	G 128,800 C 418	G 136,000 C 418
Greece	G – B 5,000 C 1,758 H 6,138	G 3,600 B 7,673 C 1,758 H 6,896	G 6,700 B 7,673 C 1,758 H 7,673	G 6,900 B 7,673 C 1,758 H 8,440	G 7,200 B 7,673 C 1,758 H 9,208	G 7,200 B 7,673 C 1,758 H 9,975	G 7,200 B 7,673 C 1,758 H 9,975
Hungary	– – –	BR 600 F 1,200 I 1,200	BR 600 F 1,200 I 1,200	BR 1,320 F 2,640 I 2,640	BR 1,320 F 2,640 I 2,640	BR 1,320 F 2,640 I 2,640	BR 1,320 F 2,640 I 2,640
Rumania	– – H 1,040	G 10,000 B 1,300 H 1,170	G 12,000 B 1,300 H 1,300	G 13,000 B 1,300 H 1,430	G 13,900 B 1,300 H 1,560	G 14,700 B 1,300 H 1,690	G 16,100 B 1,300 H 1,690
Yugoslavia	G 72,100 – H 400	G 79,400 B 500 H 450	G 79,300 B 500 H 500	G 79,400 B 500 H 550	G 72,400 B 500 H 600	G 72,500 B 500 H 650	G 72,600 B 500 H 650

[1] Payments other than German are the same until 1940.

[2] German payments include the Young Plan and the mark settlement annuities as a total.

APPENDIX

I. THE NEW PLAN

NOTE. — In order to bring out the main features of the New Plan and to consolidate them within the minimum space for the convenience of the reader, extensive editorial compression has been resorted to. All transitional documents have been omitted and identified with relation to their final form. Permanent portions of transitional documents have been retained or assimilated to their pertinent texts by full quotation in footnotes. The following pages in this way present all general features of 250 pages of formal texts, to be found in:

Report of the Committee of Experts on Reparations. London, His Majesty's Stationery Office, 1929. 69 p. (Cmd. 3343).

International Agreement on the Evacuation of the Rhineland Territory, The Hague, August 30, 1929. London, His Majesty's Stationery Office, 1929. 17 p. (Miscellaneous No. 7 (1929), Cmd. 3417).

Protocol with Annexes approved at the Plenary Session of The Hague Conference, August 31, 1929. London, His Majesty's Stationery Office, 1929. 11 p. (Miscellaneous No. 5 (1929), Cmd. 3392).

Agreements concluded at the Hague Conference, January, 1930. London, His Majesty's Stationery Office, 1930. (Miscellaneous No. 4 (1930), Cmd. 3484.) Cited as *Agreements.*

Entwürfe zu den Gesetzen über die Haager Konferenz und die Sonder-und Liquidationsabkommen. Amtliche Ausgabe. [Berlin, 1929.] Cited as *Entwürfe zu den Gesetzen.*

1. REPORT OF THE COMMITTEE OF EXPERTS, JUNE 7, 1929[1]

¶1. We transmit to the Governments which took part in the Geneva decision and to the Reparation Commission our proposals for a complete and final settlement of the reparation problem, including the settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor powers, and we unanimously recommend the following plan to the Governments concerned.

[1] Reprinted from British Parliamentary Paper Cmd. 3343, with paragraphs numbered in accordance with the Reparation Commission print.

1. Appointment, Terms of Reference and Constitution

¶2. This committee originated with the decision taken by the Belgian, British, French, German, Italian and Japanese Governments to intrust to independent experts the task of drawing up proposals for a complete and final settlement of the reparation problem. Twelve experts were to be chosen among the nationals of countries which participated in this decision, and two among the nationals of the United States of America. Each of the experts invited was empowered to appoint an alternate.

¶3. The appointments of the invited experts as members of the committee were made according to the following procedure:

¶4. The Belgian, British, French, Italian and Japanese experts were appointed by the Reparation Commission upon the nomination of their respective Governments.

¶5. The German experts were appointed by the German Government.

¶6. The experts being citizens of the United States of America were appointed by the Reparation Commission conjointly with the German Government.

¶7. The mandate of the committee of experts thus formed is set forth in the following terms of reference:

¶8. "The Belgian, British, French, German, Italian and Japanese Governments, in pursuance of the decision reached at Geneva on September 16, 1928, whereby it was agreed to set up a committee of independent financial experts, hereby intrust to the committee the task of drawing up proposals for a complete and final settlement of the reparation problem. These proposals shall include a settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor powers. The committee shall address its report to the Governments which took part in the Geneva decision and also to the Reparation Commission."

¶9. The committee was constituted with the following membership:

Belgian experts: M. Emile Francqui, M. Camille Gutt — alternates: Baron Terlinden, M. H. Fabri.

British experts: Sir Josiah Stamp, G. B. E.; Lord Revelstoke, G. C. V. O. — alternates: Sir Charles Addis, K. C. M. G.; Sir Basil Blackett, K. C. B., K. C. S. I.

French experts: M. Emile Moreau, M. Jean Parmentier — alternates: M. C. Moret, M. Edgar Allix.

German experts: Dr. Hjalmar Schacht, Dr. A. Voegler — alternates: Dr. C. Melchior, Herr. L. Kastl.

Italian experts: Dr. Alberto Pirelli, M. Fulvio Suvich — alternates: M. Giuseppe Bianchini, M. Bruno Dolcetta.

Japanese experts: Kengo Mori, Takashi Aoki — alternates: Saburo Sonoda, Yasumune Matsui.

American experts: Owen D. Young, J. P. Morgan — alternates: Thomas N. Perkins, T. W. Lamont.

¶10. We have to record our deep sense of regret at the death of Lord Revelstoke, which took place suddenly at an early hour on Friday, April 19. By his untimely removal from our counsels we suffered the loss of one whose unfailing tact and wisdom had gained the affection and respect of all of us and contributed greatly to our progress. In honor of his memory all meetings were suspended until Tuesday, April 23. On April 20 the Reparation Commission unanimously passed a resolution "deploring the death of Lord Revelstoke and instructing the general secretary to convey an expression of sympathy to the committee of experts on the loss of their distinguished colleague."

¶11. In a separate communication the Reparation Commission advised the committee that they had: "Unanimously appointed, on the nomination of His Britannic Majesty's Government, Sir Charles Addis, K. C. M. G., to be a member of the experts' committee in succession to the late Lord Revelstoke."

¶12. On May 23 the committee were advised that the German Government had appointed Herr L. Kastl to be a member in the place of Dr. Voegler, of whose resignation the committee had learned with regret on the previous day.

2. Meetings of Committee

¶13. The experts met for the first time informally at the Bank of France on Saturday morning, February 9, to fix the date of the first meeting of the committee and to discuss matters of organization and procedure.

¶14. The first regular meeting of the committee was held on Monday, February 11, at 2 o'clock in the afternoon, in the Hotel George V. At this meeting Mr. Owen D. Young was unanimously chosen chairman.

¶15. The committee has been in continuous session over a period of some 17 weeks. Subcommittees were set up as required for the study of particular questions and met frequently in the intervals between the plenary sessions.

3. Attitude of the Committee

¶16. The report of the Dawes Committee opened with the following words:

¶17. "We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical, and not the political, aspects of the problem presented to us. We have recognized, indeed, that political considerations necessarily set certain limits within which a solution must be found if it is to have any chance of acceptance. To this extent, and to this extent only, we have borne them in mind."

¶18. It is in this spirit that the present committee have addressed themselves to the task of rounding off the work of their predecessors which was advisedly left incomplete. By determining the number and amount of the annuities and by providing for the conversion of the reparation debt from a political to a commercial obligation, they have to the best of their ability tried to perform the task committed to them of devising a scheme which might fairly be accepted by all parties concerned.

¶19. Throughout our deliberations and in our present proposals we have endeavored to reach our conclusions on economic and financial grounds. But we have realized, like our predecessors, that political factors necessarily set certain limits within which a solution had to be found if our proposals were to secure acceptance. We had therefore to base our decisions not only on economic, but also to some extent on political considerations. Many important juridical questions are also involved, and while as financial experts we are not specially qualified for going into details on them, their broader aspects have been always in our minds. Indeed, it has been clear to us that close attention to them would have made our handling of the larger questions well-nigh impossible; but the committee is satisfied that the scheme it recommends is within its terms of reference.

¶20. The meeting of the present committee of experts marks the first occasion on which representatives of all the six nations chiefly concerned (together with American experts) have sat down together to work out on a large scale the common problems of reparations, and to cooperate in exploring the various means by which Germany could be enabled to discharge her obligations.

¶21. The Dawes report made no attempt to establish the causes leading up to the situation which its provisions sought to ameliorate.

In adhering to this precedent we have attempted to go further, and, through the proposed creation of the machinery which we recommend, to set up an institution whose direction from the start shall be cooperative and international in character, whose members shall engage themselves to banish the atmosphere of the war, to obliterate its animosities, its partisanships, its tendencious phrases, and to work together for a common end in a spirit of mutual interest and good-will.

4. The Study of Germany's Economic Conditions

¶22. During the course of its deliberations the committee have given close consideration to the various aspects of Germany's present economic position and future potentialities,[1] because of their material relation to her capacity to discharge obligations to foreign creditors.

¶23. The committee had among their number six members of the Dawes committee of 1924, whose contact with this aspect of the subject was obviously at that time close and responsible. Further, the committee includes several who have been associated with the practical working of the plan. These members have naturally had an unusual and continuous interest in the course of events unrolled during the past five years.

¶24. Furthermore, the periodical reports made by the Agent General and trustees and commissioners upon the working of the Dawes plan and the reports of the Reichsbank itself, have given comprehensive reviews of Germany's position and development. The body of knowledge so available and the public interest and discussion it has stimulated have been of the greatest assistance to the committee.

¶25. Moreover, they have been specially assisted by the able and lucid descriptions of the present economic condition of Ger-

[1] Owen D. Young in his address at Berkeley, Calif., March 24, 1930, said:

"But I have great confidence in Germany's capacity to pay. True, she has not a large supply of what the world calls basic raw material. She has, in large measure, however, a supply of that kind of raw material too little taken into account in the world's affairs, namely a capacity for scientific research, and the ability to apply it and organize it in production. It is not unlikely that in the years to come this particular kind of raw material with which Germany is well endowed, may be the reservoir out of which these vast sums will be produced and paid. If Germany does make the payments out of such a reservoir, the rest of the world must be careful to avoid the enervating effects resulting from the receipt of such payments. We should all remember that the discipline of hard work and of heavy responsibility is likely to do much for a people as well as for an individual. Let no man be sure; let no nation be sure, merely because he is a creditor of some one else's labor, that therefore he is strong and will always remain so."

many and the possibilities of German development which have been made by the German experts, who were well fitted by their respective positions in Germany to give, in combination, an impressive review of the subject. The considerations put forward by them in our numerous discussions and in answer to the questions addressed to them have been a constant and powerful influence in leading us to our conclusions.

¶26. The German experts have given the committee complete information as to the demands for foreign capital made by German economy during recent years and as to the items which in their opinion counteracted this: External assets of Germany, reconstitution of the stocks and of the machinery of the country. The productivity of capital thus invested has been discussed by the committee, who have also considered the comparison between the fiscal burdens and the burdens of public debt in Germany and in other countries.

¶27. The German experts have also made statements before the committee as to the present state of German industry and agriculture, the general level of wages, the budgetary situation, the balance of payments, the financial effect of compensation to her nationals, the influence upon her trade of customs barriers abroad, and the special situation of an industrial country such as Germany, which has had to reconstitute her working capital, and at the same time assume the burden of heavy international obligations.

¶28. The German experts laid stress on the question of natural resources available to Germany, whether within her borders or not, and on Germany's capacity to pay as affected thereby.

¶29. These statements have been present in the consideration of the experts and in a large measure their conclusions have been influenced by them.

¶30. It is unnecessary for us to set out the various considerations of an economic character which have led to our conclusions on the capacity of Germany to transfer. We believe that in the scale of annuities and the conditions recommended we have given proper regard to the potentialities of all the economic conditions and financial forces normally and naturally involved. We believe further that, in arranging for a part of the annuity to carry rights of postponement and for impartial inquiry, we have provided for the possibility of meeting any abnormal or special difficulty arising which might seriously affect Germany's capacity for a time, despite all that might be done by Germany's good-will and ingenuity to

meet such difficulty, without having recourse to an altogether exceptional but nevertheless very valuable expedient.

¶31. As a substitute for the present system of transfer protection, with its semi-political controls, its derogation from Germany's initiative and its possible reactions upon credit, we are recommending a scheme of annuities appreciably smaller than the Dawes obligations and subject to new and elastic conditions, which are described at length in the succeeding chapters of the present report. As an internal burden to be borne by annual taxation the scheme we propose is materially less; it is closely assimilated to commercial and financial obligations; it carries with it welcome freedom from interference and supervision and it is provided with adequate safeguards against any period so critical as to endanger Germany's economic life.

5. Course of the Proceedings

¶32. The committee addressed themselves at the outset to the essential task before them, namely, to determine the number and amount of the annuities to be paid by Germany; but they soon found the amounts were to a considerable extent contingent upon the machinery and form of payment and, therefore, that they were not at that stage ready to reach a conclusion either as to the amount of the annuities or the number of years during which they should continue. Moreover, if Germany were to be given a definite task to perform on her own responsibility, and if the committee were to substitute for many of the features of the Dawes plan machinery of a nonpolitical character in the realm of general finance, it was clearly necessary to elaborate a system for handling the annuities in a way which so far as it led to their commercialization would remove them from the sphere of inter-governmental relations. In the first instance, some time was occupied by the committee in hearing the statements from the German experts on German economic conditions and the outlook for the future, so far as they affected Germany's capacity to pay obligations in foreign currencies. It then became known that the German group felt that the ability of Germany to undertake a definite annuity obligation might vary according to other provisions comprised in the committee's recommendations, and in particular according to whether the annuity was entirely unconditional or whether some portion of it was payable under arrangements for postponement in the event of financial and exchange difficulties. The idea was also put forward that if such a situation arose, it was desirable for it to be immediately considered

by an appropriate nonpolitical committee, acting in an advisory capacity to the powers concerned and meeting unostentatiously without waiting to be constituted by the lengthy process of diplomatic action. It was quickly realized that since the amount of the burden which Germany could agree to accept was directly related to such concomitant conditions, these conditions must be first explored.

¶33. At the same time, the possibility of accepting smaller annuities than those fixed under the Dawes plan was admittedly dependent upon the certitude and ease with which the creditors could commercialize the obligations under nonpolitical conditions.

¶34. The arrangements that have been in force under the Dawes scheme for liquidating a part of the annuity by means of deliveries in kind required consideration from two points of view:

¶35. *a*. The substitution for the existing methods of a more elastic machinery which, as the Dawes committee recommended, should be nonpolitical;

¶36. *b*. The gradual termination of the system at the earliest moment consistent with existing relationships and with the interests of Germany, whose economic life has been during the past few years gradually adapted to them, and who would feel herself prejudiced in an economic sense by their too sudden termination.

¶37. The inquiries upon these subjects were found to be converging upon one central point, viz., the nature of the authority which should act as the chief medium for discharging the various functions under a new plan.

¶38. In the exploration of the problem of substituting authority of an external financial and nonpolitical character for the present machinery and controls of the Dawes plan (viz., the administration of the Agent General and of the various commissioners in Berlin, and those functions of the Reparation Commission which were involved), they immediately met with the necessity for a trustee to whom the payments in foreign currencies and Reichsmarks should be made by Germany, and by whom the distribution to the appropriate recipients should be managed.

¶39. In the second place, the problems of mobilization and commercialization demanded a common center of action and authority for the purpose of coordinating and controlling the arrangements, and there were obvious advantages in such an authority being of a continuous or permanent character.

¶40. In the third place, the continued existence of deliveries in kind necessitated special machinery of direction and control, at any rate for a period of years.

¶41. They had already considered the desirability of an advisory committee which could take any necessary action in connection with the declaration of a postponement on the postponable part of the annuity. A permanent central authority might include among its functions the convening of such an advisory body, international in character and existing as a constituent part of this central authority, to consider the situation which had brought about the necessity for a postponement, or the situation which a postponement itself created.

¶42. Again, the possibility that, either exceptionally or regularly as part of the plan, obligations would be discharged in marks within Germany, necessitated a financial authority to arrange for the disposition of such funds or assets in the interests of the creditors, by arrangement with the Reichsbank or other German authority.

¶43. Moreover, in so far as the task of transferring the payments into foreign currencies involved, besides a restriction of imports, an extension of the German export trade, we envisaged the possibility of a financial institution that should be prepared to promote the increase of world trade by financing projects, particularly in undeveloped countries, which might otherwise not be attempted through the ordinary existing channels.

¶44. These several considerations led the committee to the elaboration of a plan for a Bank for International Settlements, which should, in its various functions, meet all these points. The outline of this scheme is given in Part 6 and Annex I.[1]

¶45. It will be seen that the essential reparation functions of the bank were such as to form a solid reason for its existence; but the committee were inevitably to add to those reasons the auxiliary, but none the less material advantages that it might have in the general position of present international finance.

¶46. Just as it had been difficult at the outset to table and discuss a precise program of annuities under a new system until such a system were agreed in outline, because the amounts were themselves dependent upon that system, so at this point in the discussions it became difficult for various members to form definite opinions and commit themselves on all details as they were elaborated in the new system until a clearer idea of the obligations that would be undertaken by Germany under that scheme had been obtained. Without, therefore, having resolved all points of doubt on the new system, or done more than sketch it in broad outline,

[1] Not reprinted; see for final substance the Charter and the Statutes of the Bank and the Trust Agreement.

they found that the moment had arrived when the discussion of figures became possible and necessary.

¶47. At this stage the following broad principles were understood to be likely to find their way into any final settlement:

¶48. 1. A division of the annuity into an unconditional and a postponable part;

¶49. 2. The necessity for continuing deliveries in kind for a few years;

¶50. 3. The arrangement of suitable conditions for the postponable part in times of exceptional difficulty.

¶51. In order to put the question into concrete terms, memoranda were tabled by the chairman, by the experts of the four chief creditor countries and by the German experts. A considerable time was spent in discussing these proposals without agreement being reached. Finally the chairman prepared a new and independent plan in which these divergent views were brought closer together. The main feature of his plan was an average annuity of 2,050,600,000 Reichsmarks; and, subject to certain reserves as to the matters of detail, this figure was accepted by the entire committee as the basis of further discussion, and led to the unanimous recommendations now put forward. Among those reserves is the question of the settlement of the Belgian mark claim which the committee had continually in contemplation and the unanimous agreement upon which is to be found in Annex VI.[1]

6. Bank for International Settlements

A. General Reasons for the Constitution of an Institution with Banking Functions

¶52. A general plan for a complete and final settlement of the reparation problem, being primarily financial in character, involves the performance of certain banking functions at one or more points in the sequence between the initial payment of the annuities and the final distribution of the funds. A banking institution designed to meet these requirements justifies and makes logical the liquidation of all political controls and provides instead machinery essentially commercial and financial in character, which carries with it all the support and at the same time all the responsibilities that economic

[1] The condition set forth in the annex was that Belgium could not "join in the Report except on the understanding that an agreement for the settlement of the mark claim will be reached by direct negotiations." The settlement of July 13, 1929, is described at p. 135. See *Entwürfe zu den Gesetzen*, p. 311, for text.

engagements imply. The process of removing the reparation problem from the political to the financial sphere which was begun in the Dawes plan will thus be carried a step further.

¶53. In general terms, the institution will take over such functions of the existing agencies as it may be necessary to continue and will perform the whole work of external administration such as the receipt and distribution of payments and the commercialization of those parts of the annuities which are susceptible of being commercialized.

¶54. The operations of the institution will be assimilated to ordinary commercial and financial practice. Its organization will be outside the field of political influences and its powers and facilities will be sufficiently broad to enable it to deal freely and promptly with the problems involved in the settlement of Germany's obligations. The institution will be equipped with machinery which will provide an elastic element between the payments to be made by Germany and their realization. In consequence, the creditors will have further assurance that the effects of economic changes on the flow of payments will be minimized, and Germany for her part will have the possibility of assistance during temporarily unfavorable conditions.

¶55. It is obviously desirable, in the interest of obtaining results with the greatest efficiency, not to limit unduly the functions of the institution. The character of the annuities and the magnitude of the payments to be transferred over the exchanges provide at once the opportunity and the need for supplementing with additional facilities the existing machinery for carrying on international settlements, and, within limitations of the sound use of credit, to contribute to the stability of international finance and the growth of world trade. We consider that by judicious non-competitive financial development the bank should prove a useful instrument for opening up new fields of commerce, of supply and of demand, and will thus help to solve Germany's special problem, without encroaching on the activities of existing institutions.

¶56. In designing the plan for the Bank for International Settlements, which is given in outline in Annex I, we were, therefore, mindful of the fact that these new facilities should not supplant, but should augment and perfect existing arrangements for carrying through international settlements. The bank will have (*a*) as its essential or obligatory functions those which are inherent in the receipt, management and distribution of the annuities, and (*b*) as its auxiliary or permissive functions those which evolve more in-

directly from the character of the annuities. There is no hard and fast line between the two sets of functions, because the first lead naturally into the second.

B. Organization of the Bank

¶57. In view of the part which the bank will have to play in the general interest it is advisable to place the control of its management in the hands of the central banks, since these are the organizations responsible in each market for the convertibility of the national currencies and the control of credit.

¶58. At the time of the bank's constitution the capital will be geographically distributed in such a way as to associate in the bank's working and in its development all the countries interested in the reparation settlement and all the financial markets which may subscribe to the bank's issues.

¶59. Provision is made for the utilization of the net profits of the bank, due allowance being made for the payment of cumulative dividends on the capital stock, to create suitable reserve funds. Provision is also made, in case Governments or central banks make long-term deposits with the bank, whereby they shall share proportionately in the remainder of the profits, after the requirements on account of dividends and the reserve funds have been covered.

¶60. Inasmuch as its international basis is an essential feature which distinguishes the institution from all others, it has no single fiscal allegiance and it is desirable that in its movements in the various national markets it should not be hampered or restricted by considerations of relative fiscal burdens. It is therefore recommended that the Governments of the countries concerned enter into a convention for the avoidance of double and triple taxation of the bank along the following lines:

¶61. *a.* The funds and investments of the bank to be freed from national taxation at the point where they derive interest, income and profit;

¶62. *b.* All individuals and corporations receiving profit, interest or income from the bank to be fully liable thereon to such taxation as such individuals and corporations would attract if the profit, interest or income were derived from any other source.

¶63. *1. Capital.* On the formation of the bank its authorized capital will be in the equivalent of $100,000,000. The entire amount will be issued, but only 25 per cent of each share shall be called up, until the Board of Directors decides on a further call. The

allocation of shares by countries is provided for in Section II of Annex I.[1] The shares will carry no voting rights; but voting rights corresponding to the number of shares first issued in each country will be exercised by the central bank of that country in the general meetings attended by representatives of those banks, taking the place of general meetings of shareholders.

¶64. *2. Administration.* The entire administrative control of the bank will be vested in the Board of Directors. The functions of a director of the bank are incompatible with those involving national political responsibilities, and the statutes of the bank will make the necessary provision in order to avoid such conflict of functions. All the directors and candidates shall be ordinarily resident in Europe, or shall be in a position to give regular attendance at meetings of the board.

¶65. The Governor of the central bank of each of the seven countries to which members of the present Experts' Committee belong, or his nominee, will be entitled to be a director of the bank *ex officio*. Each of these Governors may also appoint one Director, being a national of his country and representative either of finance or of industry or commerce. During the period of the German annuities the Governor of the Bank of France and the President of the Reichsbank may each appoint, if they so desire, one additional Director of his own nationality, being a representative of industry or commerce. These fourteen (or, as the case may be sixteen) Directors will elect not more than nine additional Directors from lists furnished by, and which may include, the Governors of central banks in other participating countries.

¶66. If, in the process of organizing the bank or in the performance of its functions after establishment, it is found that the central bank of any country or its Governor is unable to act officially or unofficially in exercising the functions, authorities or privileges accorded to central banks under the plan, or refrains from doing so, alternative arrangements not inconsistent with the laws of that country will be made. These alternative arrangements are outlined in Section XII of Annex I.[2]

¶67. *3. Distribution of Profits.* The profits shall be divided in accordance with the provisions contained in Annex I.[3]

[1] Not reprinted; for final form see Arts. 5–15 of the Bank Statutes.

[2] Not reprinted; for final form see Charter (6), Arts. 28, 52, 56 of the Bank Statutes and Art. IIa of the Trust Agreement.

[3] Not reprinted; for final form see Art. 53 of the Bank Statutes.

C. General Observations on the Bank

¶68. The foregoing outline of the functions and organization of the Bank for International Settlements, together with the fuller presentation of the bank plan in Annex I,[1] largely speaks for itself. It remains, however, to point out certain advantages which the bank offers as against the existing reparation procedure, and advantages which accrue both to Germany and to the creditor countries, because the bank in putting the payments on a business basis makes their receipt the more certain and facilitates their movement.

¶69. The new facilities introduced by the bank are in addition to the provisions given elsewhere in the plan, whereby Germany is entitled to declare a postponement of transfer. They are rather in the nature of forestalling circumstances which might of themselves lead to a transfer postponement. These measures of prevention are of two general sorts: First, the bank may employ its power of giving credit to arrange temporary assistance in transferring the annuities; second, the bank will be in a position, in agreement with the Reichsbank, to invest in Germany Reichsmarks currently accruing to its account at the Reichsbank. This measure to the extent to which it may be utilized will return to the German economy a portion of the annuity, and, through the bank's credit mechanism, provide the foreign exchange with which to pay the current allotments to the creditors on account of the annuity. The application of either or both of these measures is prompt and decisive, and they operate in advance of the time when difficulties present themselves rather than afterward, and serve to ease any strain until such time as the discount rate and other corrective measures have had opportunity to exert themselves.

¶70. It is not to be assumed that these two measures should be reserved for emergency use. The use of the bank's credit by central banks within moderate limits and over short periods may in time become a normal function scarcely different in its exercise from the use of central bank credit by banks and bankers. All central banks, for ordinary exchange operations or for other purposes, would frequently find it advantageous to make use of the facility. The second measure, that of investing within Germany some portion of the annuity receipts, should also find its uses in

[1] Annex I is the basis, frequently with the language literally taken over, of the Statutes of the Bank and the Trust Agreement, printed *infra*, at p. 203.

normal times. Both measures are necessarily limited by the funds which the bank will have at its disposal and by the requirement that it maintains its liquidity at all times.

¶71. These are instances of the bank's utility to Germany. They also illustrate the flexibility which the bank's facilities give to the handling of the disbursements to the creditors. Further instances of joint benefit may be briefly indicated. The bank will be able to give short term and intermediate credit to purchasers of deliveries in kind, notably for the construction of public works on delivery-in-kind account. Intermediate credit operations need not be restricted, however, to any one country or to the purchase of any one country's goods. On the contrary, it would be desirable to broaden such operations in the interest of world trade to the extent that the Directors of the Bank approve. As a stabilizing factor in the foreign exchanges its advantages are obvious; and if in due time the arrangements provided for an international settlement fund are put into effective operation, the bank should go far to eliminate the costs and risks now incurred in the shipping and reshipping of gold.

¶72. The bank excludes from its procedure all political influences, and business principles and practice intervene to facilitate the settlement of Germany's obligations without in any way qualifying her independent and sole responsibility. The Office for Reparation Payments and its associated organizations in Berlin will be retired, and the Reparation Commission's relations with Germany will be terminated. Germany will assume the responsibility for raising and transferring the annuities, and the bank takes over the work of their receipt and disbursement.

¶73. As already stated, the bank is so designed as not to interfere with the functions performed by existing institutions, but it is to create for itself supplementary functions in a special field of its own. To this end every care should be exercised in the organization and administration of the institution.

¶74. In the natural course of development, it is to be expected that the bank will, in time, become an organization, not simply, or even predominantly, concerned with the handling of reparations, but also with furnishing to the world of international commerce and finance important facilities hitherto lacking. Especially it is to be hoped that it will become an increasingly close and valuable link in the cooperation of central banking institutions generally — a cooperation essential to the continuing stability of the world's credit structure.

7. The Influence of the Form of the Annuity on the Amount

¶75. We are proposing a series of total annuities which should be paid with the regularity of the coupons of ordinary marketable bonds. But it is well recognized that to the economy of every country there may possibly come at some time or other a year of stress and difficulty. To make the economic scope of such a period the determinant of the maximum capacity in the ordinary course would be to fix a sum quite unacceptable to the creditors and an unreliable test of normal capacity to pay. It would be like fixing the standard of physical effort expected from a workman in his years of health and strength by what he is capable of doing in his occasional weeks of illness.

¶76. While our proposals have made full allowance for all normal and long-run considerations, it is possible that over exceptional and short periods the natural adjustment we contemplate might be insufficient. We have accepted the argument of the German Experts that in undertaking a responsibility of this character identical in its nature with the solemn covenants of a debtor on a commercial and financial basis Germany is well advised to consider carefully what are the limits of the burden which are possible for her final acceptance. We have, therefore, fully respected their scruples as to the undertakings they are prepared unconditionally to sign and have introduced a feature which can act as a safety valve in time of difficulty, viz.: a right of postponement on Germany's initiative of the transfer (and, to a less degree of payment) of a portion of the annuity. The range between the two figures (the unconditional portion and the total annuity) is not to be taken as evidence of doubt as to Germany's capacity of transfer (or of payment); it represents rather the concession that has been made to the honorable determination of the German Experts not to make themselves unconditionally responsible for any obligation which they are not certain is within their power of performance in all circumstances. It is, however, to be emphasized that the total amount of the annuity proposed, while being far from covering the claims set forth by the creditors, is one which they have every reason to believe can in fact be both paid and transferred by Germany. The fact that part of it is postponable obviates the danger of being above Germany's capacity to transfer in a period of difficulty, and it was the recognition of this principle which was one of the factors enabling the German Experts to accept this

scheme as an alternative not inconsistent with their original ideas.

¶77. In recommending that the system of deliveries in kind should be continued for a limited period and in decreasing amounts, we recognized, as is pointed out in Part 8 (*f*) of this report, the necessity for maintaining a transitional period so that all shock to existing economic conditions in Germany should be avoided. Germany's power to transfer is thus maintained unimpeded by the friction of sudden changes in trade conditions.

8. Annuities

¶78. THE COMMITTEE RECOMMENDS THAT:

¶79. (1) The Governments shall fix the exact date of termination of the Dawes Plan and the substitution therefor of the new Plan. In fixing such date the Governments should bear in mind that this committee's calculations were made on the basis that the Dawes Plan would cease on August 31, 1929, and the new Plan commence on September 1, 1929.

¶80. In case the Governments should fix a date later than September 1, 1929, it is recommended that financial adjustments shall be made so that the basis of payments provided for under the new Plan shall nevertheless commence as of September 1, 1929, and the basis of payments provided for under the Dawes Plan should cease as of August 31, 1929.

¶81. (2) Payments under the plan of the Dawes committee should continue until the end of the present scheduled year, that is to say, August 31, 1929.

¶82. (3) The new Plan should go into effect September 1, 1929, with the value of the 37 annuities of 1,988,800,000 Reichsmarks[1] until March 31, 1966, the payments for the Dawes loan to be added.

¶83.[2] (4) Payments to be made under the Dawes Plan, during the five months' period preceding September 1, 1929, after allowing for the Dawes loan, should be treated as payments necessary to cover the requirements of the creditor nations during this transition period, including outpayments for the year ending March 31, 1930.

¶84.[2] Should there remain any surplus after meeting the foregoing requirements, the question of disposing of such surplus, as

[1] The separate arrangement for payment of the American claims and costs reduces the average payable under the New Plan to 1,922,700,000 Reichsmarks, without affecting the total German liability.

[2] The financial agreement of August 31, 1929, provides for a partial allocation, see Art. I, p. 188 and p. 62.

well as all matters and expenses in connection with the transition from the operation of the existing arrangements to the new Plan, shall be settled and adjusted between the Governments.

¶85. (5) In order that the new annuities shall coincide with the German fiscal years, the schedule of payments to be made by Germany on and from September 1, 1929, will be as follows:

¶86.

		Reichsmarks	
	7 months, September 1, 1929–March 31, 1930	742,800,000	
36 German fiscal years	April 1, 1930–March 31, 1931	1,707,900,000	Constant annuity 37 years corresponding to 1,988,800,000, Dawes loan to be added.
	April 1, 1931–March 31, 1932	1,685,000,000	
	April 1, 1932–March 31, 1933	1,738,200,000	
	April 1, 1933–March 31, 1934	1,804,300,000	
	April 1, 1934–March 31, 1935	1,866,900,000	
	April 1, 1935–March 31, 1936	1,892,900,000	
	April 1, 1936–March 31, 1937	1,939,700,000	
	April 1, 1937–March 31, 1938	1,977,000,000	
	April 1, 1938–March 31, 1939	1,995,300,000	
	April 1, 1939–March 31, 1940	2,042,800,000	
	April 1, 1940–March 31, 1941	2,155,500,000	
	April 1, 1941–March 31, 1942	2,180,700,000	
	April 1, 1942–March 31, 1943	2,198,000,000	
	April 1, 1943–March 31, 1944	2,194,300,000	
	April 1, 1944–March 31, 1945	2,207,500,000	
	April 1, 1945–March 31, 1946	2,203,800,000	
	April 1, 1946–March 31, 1947	2,199,500,000	
	April 1, 1947–March 31, 1948	2,215,200,000	
	April 1, 1948–March 31, 1949	2,210,000,000	
	April 1, 1949–March 31, 1950	2,316,800,000	
	April 1, 1950–March 31, 1951	2,359,200,000	
	April 1, 1951–March 31, 1952	2,343,200,000	
	April 1, 1952–March 31, 1953	2,346,200,000	
	April 1, 1953–March 31, 1954	2,353,300,000	
	April 1, 1954–March 31, 1955	2,364,600,000	
	April 1, 1955–March 31, 1956	2,359,800,000	
	April 1, 1956–March 31, 1957	2,354,200,000	
	April 1, 1957–March 31, 1958	2,361,800,000	
	April 1, 1958–March 31, 1959	2,393,800,000	
	April 1, 1959–March 31, 1960	2,370,600,000	
	April 1, 1960–March 31, 1961	2,380,500,000	
	April 1, 1961–March 31, 1962	2,398,300,000	
	April 1, 1962–March 31, 1963	2,390,200,000	
	April 1, 1963–March 31, 1964	2,402,600,000	
	April 1, 1964–March 31, 1965	2,402,100,000	
	April 1, 1965–March 31, 1966	2,428,800,000	

¶87. Thereafter there remains the following schedule of payments to be made by Germany, subject to the special provisions dealing with these years:

¶88.

	Reichsmarks
1966–67	1,607,700,000
1967–68	1,606,900,000
1968–69	1,616,700,000
1969–70	1,630,000,000
1970–71	1,643,700,000
1971–72	1,653,900,000
1972–73	1,662,300,000
1973–74	1,665,700,000
1974–75	1,668,400,000
1975–76	1,675,000,000
1976–77	1,678,700,000
1977–78	1,685,400,000
1978–79	1,695,500,000
1979–80	1,700,400,000
1980–81	1,711,300,000
1981–82	1,687,600,000
1982–83	1,691,800,000
1983–84	1,703,300,000
1984–85	1,683,500,000
1985–86	925,100,000
1986–87	931,400,000
1987–88	897,800,000

¶89. Out of the above annuities the following amounts shall be unconditional, *i.e.*, payable without any right of postponement of any kind in foreign currencies by equal monthly instalments, viz.: 660,000,000 Reichsmarks per annum,[1] to include whatever amounts are required for the service of the German external loan 1924.

¶90. The remainder of the annuity shall be payable in foreign currencies by equal monthly instalments, but subject to the conditions as regards postponement of transfer and of payment set out in Annex IV of this plan.

¶91. The German Government undertakes for the purpose of the present provisions, as well as for the general purposes of the plan, that the Reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in Section 31 of the present Reichsbank law, and that for these purposes the Reichsmark

[1] Slightly increased by the conference, see Art. VII of the financial agreement of August 31, 1929, p. 190, and also p. 75.

shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German coinage law of August 30, 1924.[1]

¶92. For the purpose of par. (4) above, the outpayments for the year ending March 31, 1930, are as follows:

¶93.

	Equivalent in Reichsmarks
France	338,100,000
Great Britain	366,600,000
Italy [2]	107,800,000
Belgium	23,400,000
Rumania	8,800,000
Serbia	5,900,000
Greece [2]	5,300,000
Portugal	7,200,000
Total	863,100,000

¶94. Provision is made in Sec. 11 of Annex I [3] whereby a percentage of the special Reserve Fund accumulated in the bank shall be placed at Germany's disposal, if required, toward meeting the last 22 annuities payable under the above scale.

¶95. In calculating the above annuities we have taken into account the expenditures devolving upon Germany during the period of the new Plan, such as were covered by the Dawes Plan. However, we have not included the costs of commissions and the current expenses of occupation, as they are to continue only until a date to be fixed by the Governments. The necessary arrangements for their payments should be made by the Governments in connection with the adoption of the new Plan.

¶96. Apart from the foregoing, we recommend that, as from the date of the putting into force of this Plan, Germany's previous obligation shall be entirely replaced by the obligation laid down in this plan, and that the payment in full of the proposed annuities in accordance with this plan should be accepted by the creditor powers as a final discharge of all the liabilities of Germany, still remaining undischarged, referred to in Sec. XI of Part I of

[1] Annex II, which is not reprinted, is a letter from the president of the Reichsbank promising action by the Reichsbank to establish this standard for it.

[2] See Art. I of the financial agreement, p. 189.

[3] See note to Art. 54 of the Bank Statutes, p. 218.

the Dawes Plan,[1] as interpreted by the decisions[2] already given by the Interpretation Tribunal set up under the London agreement of August 30, 1924. That tribunal should be retained in existence and any dispute that may arise between Germany, on the one side, and the creditor Governments, or any one of them, or the bank, on the other side, as to the extent of these liabilities or as to any other question of the interpretation or application of this Plan should be referred to it for final decision.

¶97. In the course of their proceedings the experts of the principal creditor powers have also dealt with the question of the distribution of these annuities among the creditor powers. Their recommendations, drawn up after careful examination of the existing distribution arrangements and of other relevant considerations laid before them and with due regard to the rights and equities of the other countries[3] having a share in the Dawes annuities, are set out in Annex VII which they consider an inseparable part of the present Report.

COMPOSITION OF THE ANNUITIES

8 (a). Source and Securities.

¶98. *1.* The annuities are to be derived from two sources:

1. The German Railway Company.
2. The Budget of the Reich.

¶99. The committee, after a careful examination of the proposals put forward by the German Experts, were of the opinion that the annuities recommended by them should not be drawn wholly from the German budget, but that one source of payment utilized by the Dawes Plan, viz.: the Railway Company should be maintained. We desire to make it clear, however, that the retention of a contribution from the Railway Company is recommended not only from the point of view of security but also as a suitable method of raising the necessary revenue.

¶100. We have also considered the position with regard to the assigned revenues and, having regard to the fact that these revenues are pledged as collateral security for the service of the German external loan of 1924, we feel it is impossible to recommend the release thereof. Nevertheless, we are of opinion that it

[1] *Reparation*, Part V, p. 385; Reparation Commission, *Official Documents*, XIV, p. 30.

[2] See Awards, *American Journal of International Law*, XXI, p. 344 and XXII, p. 913.

[3] Greece, Portugal, Poland, Rumania, Serbia, Japan and the United States of America.

would be suitable for the German Government to discuss with the trustees for the bondholders of that loan the possibility of simplifying as far as possible the existing machinery, and that the creditor Governments for their part should accept a similar arrangement. The effective security of the creditor Governments should be substantially that indicated in Annex III, (Sec. III).[1]

¶101. Apart from these special questions, the committee desires to record its view that the basis of security for the payment of the annuities is the solemn undertaking of the German Government, to which no further guaranty can add anything whatsoever.

¶102. The committee accordingly recommends that the creditor Governments should take steps to release all controls, special securities, pledges or charges which may remain in their hands other than those specifically referred to above, and should recognize that their acceptance of the solemn undertaking of the German Government replaces any securities, pledges, charges or controls as may now exist.

¶103. *2. The Contribution from the German Railway Company.* Under the German railway law of August 30, 1924, enacted in accordance with the Dawes Plan, the German Railway Company is subject to a mortgage for eleven milliard gold marks, in favor of the trustee for the German railway bonds, and has issued to him a bond for eleven milliard gold marks. This bond bears interest at 5% per annum and carries a cumulative sinking fund of 1 per cent per annum, which first became operative on September 1, 1927; interest and sinking fund being guaranteed by the Government of the Reich.

¶104. This plan contemplates the abolition of the railway bonds, together with the attendant circumstances of foreign participation in the management of the railway, and substitutes a contribution from the Railway Company as set out in the following paragraphs:

¶105. The Railway Company shall be under an obligation to pay for 37 years a direct tax comprising if necessary the transport tax, to an annual amount of 660,000,000 Reichsmarks, being equal to the annual amount of the nonpostponable annuity. This tax shall be imposed by German legislation, and the receipts therefrom guaranteed by the German Government. The Railway Company shall deposit with the Bank for International Settlements a certificate acknowledging its liability in respect of this obligation.

[1] Not reprinted; but see final form in Trust Agreement, Art. XVI, p. 231.

¶106. The amount payable shall be raised from the gross revenues of the company, ranking after the expenditure on personnel, and on the same footing with expenditure on material and consumable stores. It shall enjoy priority over any other tax now levied on the Railway Company, or which may be levied in the future, and shall rank prior to any other charge, by way of mortgage or otherwise, on the company. It shall be paid direct by the Railway Company to the account of the Bank for International Settlements at the Reichsbank in instalments as laid down in Part 8.

¶107. The foregoing conditions shall be incorporated in the law governing the Railway Company.

¶108. It shall be one of the duties of the Organization Committee proposed in Annex V of this Report to make suitable provision whereby the private and independent character of the German Railway Company, including its autonomous administration in economic, financial and personnel matters shall continue for the period of the plan without interference from the German Government.[1]

¶109. *3. The Transport Tax.* In addition to the 660,000,000 gold marks now payable directly by the Railway Company, the Dawes Plan requires a contribution to the standard annuity of 290,000,000 gold marks out of the actual yield of the transport tax. This tax is imposed by the German Government and the German Railway Company collects it for the Government. The total yield of the transport tax, now considerably in excess of 290,000,000 gold marks, appears among the receipts of the budget of the Reich, and the contribution of 290,000,000 appears among its expenditures. Under this Plan the direct tax on the Railway Company comprises if necessary the transport tax which is otherwise relieved from any special charge on account of reparations.

¶110. *4. The Charge on German Industries.* Under the Industrial Charges Law enacted in accordance with the Dawes Plan, bonds aggregating 5,000,000,000 gold marks have been issued in respect of the German industries by the Bank for German Industrial Debentures to the trustee for the German industrial debentures. These bonds bear interest at 5% per annum and carry a cumulative sinking fund of 1% per annum which first became operative September 1, 1927, principal, interest and sinking fund being guaranteed by the Government of the Reich. The present con-

[1] Annexes IV, VI and VIA of the agreement of January 20, 1930, *Agreements*, p. 39, 45, 66.

tribution to the annuity from the industrial debentures thus amounts to 300,000,000 gold marks.

This particular charge in no way differs from ordinary taxation, save in the complications it involves in legislation and the machinery of collection. We recommend that it be discontinued and that its disappearance be taken into account in distributing the relief from taxation which this plan will enable the German Government to bring into effect.

¶111. *5. The Charge on the Budget of the Reich.* Under the Dawes Plan, the contribution from the budget of the Reich in the fifth or current annuity year amounts to 1,250,000,000 gold marks, or one-half of the total standard annuity. This contribution is a charge on the budget as a whole specifically secured by the assignment of the revenues from customs, beer, tobacco, sugar and alcohol to the Commissioner of Controlled Revenues. These revenues are paid by the collecting offices directly into the account of the commissioner at the Reichsbank. As early as practicable in each month, out of the funds accumulated in his account, the commissioner pays into the account of the Agent General at the Reichsbank one-twelfth of the annual contribution from the budget and thereafter in each month the revenues are automatically transferred by him to the account of the German Government at the Reichsbank. Under this plan the procedure to be followed will be worked out in detail, by the appropriate Organization Committee proposed in Annex V, regard being had so far as necessary to the arrangements which may be accepted by the trustees of the 1924 loan.[1]

¶112. As the amount contributed by the German Railway continues for 37 years at the fixed level of 660,000,000 Reichsmarks a year, the charge on the budget of the Reich varies with the total amount of the annuity. In the second year it stands at the figure of 1,136,400,000 Reichsmarks, and rises to a maximum of 1,768,800,000 Reichsmarks in the thirty-seventh year. Thereafter the contribution from the Railway Company ceases, the annuity falls sharply and the budget contribution covers the whole of the German liability for the remainder of the Plan.

¶113. The average increase in the budgetary contribution during the first 20 years is about 24,000,000 Reichsmarks annually, or about .24 of 1% of the total revenues of the budget of the Reich, which at present are just under 10,000,000,000. This moderate

[1] See Trust Agreement, Art. IV, p. 223.

and gradual increase in the budgetary contribution under the definitive settlement plan ought to be met in ordinary years without recourse to additional taxation. Indeed the substantial reduction of the budgetary contribution as compared with the Dawes Plan makes possible an immediate resumption of the tax reduction program which has been in progress since 1924. The committee hope that such further tax reductions coupled with a definitive reparation settlement will give a strong stimulus to saving and thereby materially assist in the internal formation of the new capital which Germany still requires.

8 (b). Progression

¶114. The authors of the Dawes Plan believed that they could count upon a certain substantial and progressive increase in the prosperity of Germany, arising not only from the employment of the rapidly increasing wealth of that country, but also from the steady progress of world prosperity, and this belief found expression in the device of an index of prosperity. The plan contemplates that the amounts which Germany pays upon a fixed scale shall increase generally speaking year by year until 1966, reflecting in some small measure this anticipated increase in her prosperity. However, the annuities proposed are to start at a level which not only gives immediate and important relief to the German budget, to her exchange position and to her need for additional internal formation of capital, as compared with the standard Dawes Annuity of 2,500,000,000 gold marks, but also provides the greatest possible assurance that the new scheme will function from the beginning without any hitch or disturbance.

8 (c). The Nonpostponable Annuities

¶115. Not the least difficult part of the task was the determination of the figure which Germany could immediately undertake as a final and unconditional obligation. The point at which difficulties might begin to arise in making transfers into foreign currencies is not exactly definable in advance; but every care has been taken to be so far within this limit as to remove every possibility of the risk of error. We recognize that in fixing the figure payable by Germany in foreign currencies, without any right of postponement whatever, at 660,000,000 Reichsmarks, [1] we have taken a conservative amount.

[1] For Hague conference adjustment of amount see p. 75.

But we are satisfied that it is wiser deliberately to underestimate than to run the slightest risk of weakening German credit by proposing a figure which might not command instant acceptance by well-informed public opinion.

8 (d). The Postponable Annuities

¶116. In addition to the unconditional part of the annuity, we propose a postponable part, transfer of which may, in certain circumstances set out below, be postponed for a period not exceeding two years.

¶117. This postponable part of the annuity is designed to meet the situation which might arise in a period of special economic difficulty and distress. There will be other ways of meeting such a situation, and if they are applied our view is that recourse to this abnormal measure will not in fact prove to be necessary. Nevertheless as an additional precaution it is valuable to Germany, and provides, by its very existence, a safeguard against the dangers which too rigid a framework might have called into existence.

8 (e). Measures of Safeguard

¶118. The essence of the additional margin of safety given to a part of the annuities lies in the power to postpone transfer. We are recommending, in order to protect Germany against the possible consequence of a comparatively short period of depression, which might, for internal or external reasons, put such a severe strain on the exchanges as would make the process of transfer abroad dangerous, that the German Government should have the right, on giving 90 days' notice, to postpone transfers for a period not exceeding two years under conditions set out in Annex IV.[1] During the period of postponement, the liability of the German Government with regard to the sums affected would in the first instance be limited to payment in Reichsmarks to the account at the Reichsbank of the Bank for International Settlements; under certain conditions part of this payment may also be withheld.

¶119. Upon the declaration of any postponement the Bank for International Settlements shall convene the Special Advisory Committee.[2] At any other time when the German Government declare to the creditor Governments and to the Bank for International

[1] Not reprinted; see for final form the Certificate of Indebtedness, V, 3–8, and Annex II, Appendix I, of the protocol of August 31, 1929, p. 191, 235.

[2] Enacted by Art. X of the Trust Agreement.

Settlements that they have come to the conclusion in good faith that Germany's exchange and economic life may be seriously endangered by the transfer in part or in full of the postponable portion of the annuities, the committee shall also be convened.

¶120. Upon being convened the Special Advisory Committee shall forthwith consider the circumstances and conditions which have led up to the necessity for postponement, or have created a situation in which Germany considers that her exchange and economic life may be seriously endangered by further transfers of the postponable portion of the annuity, and make a full investigation of Germany's position in regard to her obligations under this plan.

¶121. In their report to the Governments and to the Bank, having (in case of a postponement of transfer) satisfied themselves that the German authorities have used every effort in their power to fulfill their obligations, they shall indicate for consideration by the Governments and the Bank what in their opinion are the measures that should be taken in regard to the application of the present Plan.

¶122. It shall further be the duty of the Bank during a postponement of transfer to direct, in conjunction with the Reichsbank, the employment of the Reichsmarks paid to its account at the Reichsbank by the German Government (see Section VI of Annex I to this Report).[1]

¶123. The following paragraphs sketch the organization of the Special Advisory Committee of the Bank for International Settlements referred to in the preceding paragraphs:

¶124. 1. The committee should act in a purely consultative capacity. Its findings shall have no effective force unless confirmed and accepted by the Bank as trustee of the creditors, and if necessary by the Governments concerned.

¶125. 2. The committee shall play no part in connection with the unconditional annuity accepted by Germany and referred to in the Plan as the "unconditional annuity."

¶126. 3. The committee shall be convened by the Bank according to the rules of its own constitution when notice shall be received from the German Government. It shall not be required to meet at any other time.

¶127. 4. The committee shall consist of seven ordinary and four co-opted members. The ordinary members shall be nominated one by each of the following:

[1] Not reprinted; for final form see Arts. 20, 22, 23 and 25*e* of the Bank Statutes and note to Art. XI *c* of the Trust Agreement.

¶128. The governors of:
The Reichsbank,
The Banque de France,
The Bank of England,
The Banque Nationale de Belgique,
The Banca d'Italia,
The Bank of Japan,
A Federal Reserve Bank of the United States or some other agreed American financial institution,

¶129. in the last two cases, such nominee being ordinarily resident in Europe, or in a position to give prompt attendance on a meeting of the committee being called. These nominees of the Governors of the Banks shall not be officially connected with the banking institutions in question nor with the Government departments of their respective countries. After being summoned they may, if they so desire, co-opt not more than four additional members with the intent that special aspects, whether in finance, exchange, industry, etc., of the particular situation in question shall be represented. During the course of the proceedings and until the report is made, the co-opted members shall be equal in all other respects to the ordinary members but they shall thereafter be discharged from office.

¶130. 5. The committee may proceed by way of hearing evidence or asking for documents, as it may desire, but the president of the Reichsbank and/or any other person nominated by the German Government may appear before or submit to the committee the reasons for which a postponement has been declared or measures are desirable as indicated above.

¶131. The committee shall neither grant nor refuse a postponement. After making inquiry it shall report to the Governments and the Bank as indicated above.

¶132. 6. Unless otherwise arranged by consent the expenses of the Special Advisory Committee shall be borne by the German Government.

8 (f). Deliveries in Kind

¶133. The system of deliveries in kind under the Dawes Plan has come to play an important rôle in the economic life of Germany. We would not suggest the unlimited continuation of this system, which is open to many objections of a practical as well as a theoretical nature. We have felt, however, that its immediate cessation would not be in the interests of Germany or of the creditor powers,

and that it would impose difficulties upon the export trade of Germany which might be injurious to her capacity to transfer. We therefore recommend that the principles of the Dawes Plan with reference to deliveries in kind should continue in existence for a limited period, and that the creditor nations should agree for a period of ten years to absorb by this means in respect of each year, a limited and decreasing amount of the postponable portion of the annuity, substantially in accordance with the following table:

¶134.[1]

	Reichsmarks
First year	750,000,000
Second year	700,000,000
Third year	650,000,000
Fourth year	600,000,000
Fifth year	550,000,000
Sixth year	500,000,000
Seventh year	450,000,000
Eighth year	400,000,000
Ninth year	350,000,000
Tenth year	300,000,000

¶135. The foregoing table to be adapted to the actual annuities of the new Plan without increasing the total. [2]

¶136. The creditor powers by arrangements effected among themselves will fix the proportions in the total of each year's volume of deliveries in kind (including deliveries under Reparation Recovery Acts or any equivalent system substituted therefor by agreement up to 23.05% for Great Britain and 4.95% for France of the total amount provided for each year) which each of them will receive.

¶137. The Bank for International Settlements shall manage the disbursements on deliveries-in-kind account, and in making distributions of cash to the creditor countries shall have due regard for those portions of the annuity which are restricted to payments for deliveries in kind. [3]

¶138. The committee also recommends that new regulations be adopted by the Governments modifying the Wallenberg regulations to conform to the new Plan and so far as practicable simplifying and liberalizing them.

[1] Enacted by the protocol of August 31, Annex II, § II.

[2] See revised table at p. 184.

[3] Annex IX of the Hague agreement of January 20, 1930, *Agreements concluded at the Hague Conference, January, 1930*, p. 80.

¶139. The committee recommends that provision be made in the new regulations permitting the several powers to dispose of some part of their respective quotas of deliveries outside of their own territories under suitable restrictions. [1]

¶140. The proposed repartition of the deliveries in kind among the several creditor powers is contained in Annex VII, dealing with repartition of the annuities. [2]

9. Liquidation of the Past

¶141. In order to arrive as rapidly as possible at a general liquidation of the financial questions raised by the war and the subsequent treaty of peace, a liquidation which alone can insure the definite return of Europe to normal financial and economic conditions, the committee recommends the clearing up of these questions in a broad spirit of mutual concession.

¶142. We understand that a settlement on these lines will render obsolete the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes Plan, together with all accounts involving credits against the original capital debt. [3] We are strongly of opinion that these accounts should be closed at the earliest moment.

¶143. The creditor Governments, under this plan, will be reducing the whole body of their claims arising out of the war or under the treaty of Versailles to a considerable extent. The experts of the creditor countries are aware that past transactions have given or may give rise to claims by Germany, some of which are still unsettled, and, while they are not able to go into the merits of these claims, they consider that the creditor Governments are fully entitled

[1] This was not realized; see p. 80, and Art IX of the regulations, *Agreements*, p. 93.

[2] See p. 182–186.

[3] Annex II of the agreement of January 20, 1930, provides:

"2 (i), Germany's previous obligation, except in respect of the German External Loan 1924, being entirely replaced by the obligation laid down in the New Plan, the German A, B and C bonds, the bonds of the Deutsche Reichsbahn-Gesellschaft, the German Industrial bonds and the bonds of the Bank für Deutsche Industrie Obligationen are finally canceled and shall be destroyed."

Beside provision for distributing closed account assets and settling expenses, a number of delayed settlements were dealt with in the arrangement between the creditor states of Germany (*Agreements*, p. 142). In addition to those specifically responding to recommendations of the Report, the following provisions were made: The shares of the Baghdad Railway Company held by the Reparation Commission are allotted outright to France, Great Britain and Italy in equal portions; the distribution of cables ceded by Germany by Part VIII, Annex VII, of the treaty of Versailles "will be settled by the creditor powers concerned." among which is the United States; payments already made by Denmark and Danzig in respect of German state property (treaty of Versailles, Art. 254) are a final settlement.

to expect that Germany should waive them in consideration of the consolidation of the creditors' claims at a reduced figure. Any other course would be inconsistent with their intention that, just as the new annuities cover all the claims defined in Part XI of the Dawes Plan, so they should be paid free of deduction in respect of any past transactions. The committee recognizes, however, that this is entirely a matter for the Governments to deal with.[1]

¶144. To assure the general confidence indispensable for the successful working of this Plan the committee recommends that the Governments make no further use, from the date of the acceptance of this report, of their right to seize, retain and liquidate property, rights and interests of German nationals or companies controlled by them in so far as not already liquid or liquidated or finally disposed of, and that the outstanding questions concerning such property should be definitively cleared up within one year after the coming into force of this plan by arrangements between the Governments concerned and Germany.[2] This recommendation, naturally, has no application in cases where special settlements have already been made.

¶145. The acceptance of this plan necessarily involves the dissolution of the joint liability of Germany on the one side with Austria, Hungary and Bulgaria on the other side for reparation, and therefore finally abolishes every obligation present or future in either direction which may result between these powers from this joint liability.[3]

¶146. The committee recommends in particular that the creditor powers should abstain from recovering the credits of Germany against her ex-allies referred to in Art. 261 of the treaty of Versailles, Germany for her part renouncing any net balance which might be due to her as a result of these credits.[4]

¶147. In their unanimous desire that the remaining financial questions arising out of the war should be settled as soon as possible, in order to promote the spirit of international harmony and collaboration, the Experts unanimously recommend to the creditor

[1] See Agreement of January 20, 1930, Art. III, B (*a*), p. 193.

[2] Effected by the agreements referred to at p. 124.

[3] The agreements with each effect this by making each debt individual and final.

[4] Annex II of the agreement of January 20, 1930, provides:
"2 (ii). The claims of Germany against Austria, Hungary and Bulgaria referred to in Art. 261 of the treaty of Versailles and the debts of Germany referred to in Arts. 213 of the treaty of St. Germain, 196 of the treaty of Trianon and 145 of the treaty of Neuilly are finally canceled and the securities and documents relating thereto shall be destroyed." (*Agreements*, Misc. No. 4, p. 30.)

Governments that, within the first year of operation of the new Plan, they complete the work of the Experts' Committee by dealing with and disposing of the claims and debts for ceded properties and liberation bonds, held in the hands of the Reparation Commission against the so-called succession states.[1] This question is referred to in Annex VII.

10. Commercialization and Mobilization

¶148. Having recommended the creation of the Bank for International Settlements in order to provide machinery for the removal of the reparation obligation from the political to the financial sphere, we have further considered what procedure is necessary in order to assimilate this obligation as closely as possible to an ordinary commercial obligation ("commercialization").

¶149. Further, certain Governments are known to attach particular importance to the possibility of raising money by the issue to the public of bonds representing the capitalization of the unconditional portion of the annuity ("mobilization").

¶150. It is, of course, not within our power to advise as to the time at which such issues can be made with advantage, or as to the terms and conditions on which issues should be made. The arrangements to be made would no doubt vary according as, for example, an issue is to be made for cash in the general interest of all the creditor Governments, or an internal issue is to be made in one single country by way of conversion of government debt. It will be the province of the bank itself to advise upon such matters; but we have thought it necessary to advise a framework within which these operations may take place.

¶151. This framework is given in Annex III.[2] It provides, first, that the annuities themselves shall be represented by a German Government certificate of indebtedness deposited with the bank, similar to those in use in ordinary commercial practice (a proper distinction being made in the coupons between the conditional and unconditional portions of the annuity). The provisions regarding security are given in the Annex, and the conditions in which mobilizable bonds should be created and issued are defined.

[1] Effected by the agreement with Czechoslovakia and the arrangement between the creditor powers (*Agreements*, p. 168, 142) described *supra*, p. 116.

[2] Not reprinted; for final form see Trust Agreement, Arts. XII and XVI, and the Certificate of Indebtedness, III, IV and V.

¶152. One of the most important provisions of this scheme is that annuity moneys should be distributed by the bank in strict proportion to the rights of each party — whether government or bondholder.

¶153. As far as, according to the conditions of the issue, reparation loans (general or conversion loans) are subject to an anticipated redemption, Germany should be entitled to redeem these loans; the part of the annuity destined for the service of the redeemed loan will then accrue to her. The wish has been expressed that so far as possible reparation loans will not be issued without granting the debtor an appropriate right of anticipated redemption.

¶154. We recommend that Germany should also have the right to redeem all or any part of not yet mobilized annuities on a basis of 5½% discount.

11. The New Plan Contrasted with the Dawes Plan

¶155. The Dawes Plan, although drawn up at a time of intense crisis, has by a test lasting over nearly five years justified by facts the postulates on which it was based as regards both the restoration of the public finances of Germany and her economic recovery.

¶156. It may be well to summarize briefly the points of advantage — whether to Germany or her creditors — claimed for the new proposal, which justify a departure from a scheme that has in the past rendered signal service.

¶157. The Plan drawn up by the committee to afford a definite solution of the reparation question accompanies a reduction in the existing obligations of Germany by an essential modification in their financial and political status. In so far as the creditors are relinquishing substantial advantages in the face value of payments due under the Dawes Plan, they are doing so only by reason of those improvements in intrinsic and available values which arise from the practicability and certainty of commercialization and mobilization within a reasonable period and in its attendant financial and economic psychology.

¶158. Among the modifications, which are considered specially important are the following:

¶159. *1. Fixation of the Period and the Debt.*

The Dawes Plan imposes, in virtue of the index of prosperity increasing annuities, of which the number is not fixed. The new program indicates a definite number of fixed annuities.

¶160. *2. Disappearance of the Index of Prosperity.*

Only estimates, which vary very widely, of the ultimate effect of the index of prosperity can at this date be made. But in no circumstances could Germany benefit therefrom, and the disappearance of this element of uncertainty is wholly to her benefit.

¶161. *3. Attainment of Financial Autonomy.*

Under the Dawes Plan Germany can only obtain the discharge of her obligations in marks by the existence of a system of transfer protection which involves a measure of external control. This brings attendant limiting effects on German credit and financial independence which render difficult, if not impossible, any mobilization of the German debt. The new Plan would be abandoning the fundamental purposes for which it was intended if it did not cancel this clause and leave to Germany the obligation of facing her engagements on her own untrammeled responsibility.

¶162. *4. Postponement Safeguards.*

Nevertheless, if an exceptional emergency interrupts the normal course of economic life to which the scheme is adapted, Germany can, on her own initiative, resort to certain measures of temporary relief.

¶163. The annuity is divided into two parts, of which one is subject to postponement of transfer and payment. Germany will thus be enabled under certain circumstances temporarily to relieve her balance of payments, and will in fact enjoy the advantages of a form of transfer protection without its attendant limitations.

¶164. *5. Deliveries.*

While the Dawes Plan reluctantly accepted the expedient of deliveries in kind, the new Plan, in spite of the desire of the creditor powers to dispose freely of their shares of the annuities, recognizes the undesirability of a sudden cessation of the system at present in force. The creditors are therefore to take deliveries in kind for ten years, but in decreasing amounts, beginning with 750,000,000.

¶165. *6. Mobilization.*

From the point of view of the creditor powers an essential feature of the new Plan which induces them to agree to reduction on their claims that leave them burdened with a considerable part of their expenditure for the damages caused by the war, is the fact that the annuity is paid in a form lending itself to mobilization.

¶166. *7. Financial Organization.*

The organization and machinery of the Dawes Plan were based on the conviction that it must find its proper guaranty in the interest of all parties to carry it out in good faith. In aiming as it did at the transference of the reparation payments from the political to the

economic and business sphere, it presumed constant cooperation of debtor and creditors alike. The new system goes further along the same road, replacing the collaboration of separate administrative and governmental organizations by common work in a purely financial institution, in the management of which Germany is to have an appropriate part. The present administrative organizations can not have all the elasticity necessary for banking transactions of the magnitude of the payment and transfer of the annuities; but the new Bank in close association with the banks of issue and with the banking facilities at its command will have all the necessary means of effecting these operations without disturbance to the German economy or to the economy of other countries. In addition, it will be in a position to open up to trade new possibilities of development. The operations which it is to undertake can not be disturbed or hampered without irreparable damage to the credit of the countries concerned. This assurance should make it possible to limit the guaranties established under the present system for the protection of the rights of the creditors, to the minimum required for the prompt and facile commercialization of the mobilizable part of the annuity.

¶167. 8. *Summary.*

The proposed plan continues and completes the work begun by the Dawes Plan, which the position alike of Germany and of the other countries made it impossible to do more than indicate in outline in 1924. By the final reduction and fixation of the German debt, by the establishment of a progressive scale of annuities, and by the facilities which the new bank offers for lessening disturbance in the payment of the annuities, it sets the seal on the inclusion of the German debt in the list of international settlements. If it involves appreciable reduction of payments to the creditor countries on what might have been anticipated under the continued operation of the Dawes Plan, it at the same time eliminates the uncertainties which were inherent in that Plan and were equally inimical to the interest of the debtor and to the creditors, by substituting a definite settlement under which the debtor knows the exact extent of his obligations.

12. Conclusions

¶168. It has been our object to make proposals for financial obligations, which, with the conditions and safeguards that accompany them, shall be within Germany's capacity to pay, and we believe that we have achieved this purpose. We realize the re-

sponsibility of this declaration, and we recognize how much depends on the future attitude toward one another of the peoples which, by ratification of their respective Governments, are to become parties to this agreement. For the solution of the reparation problem is not only a German task but in the common interest of all the countries concerned; and it requires the cooperation of all parties. If their attitude should be tinged with antagonism, even with suspicion, or a desire to create or continue one-sided economic discriminations, a settlement perfectly feasible with good-will would sooner or later encounter difficulties, so that the long, slow, patient task of reconstruction in Europe would be definitely retarded. For without good faith and mutual confidence, all agreements, all guaranties are unavailing. If, on the other hand, our proposals are adopted with good-will by all concerned, and the rest of the world has confidence in the constructive value of this mutual accord, then indeed there can be no reasonable doubt that the agreement will be capable of complete fulfilment, and the nations it concerns will be brought to a higher level of economic stability and of mutual understanding than ever before.

¶169. Finally, we would point out, like our predecessors on the Dawes Committee, that:

We regard our report as an indivisible whole. It is not possible, in our opinion, to achieve any success by selecting certain of our recommendations for adoption and rejecting the others, and we would desire to accept no responsibility for the results of such a procedure nor for undue delay in giving execution to our Plan.

PARIS, June 7th, 1929.

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II. ANNEXES

ANNEX I. Suggested Outline for the Organization of the Bank for International Settlements [pars. 1–120].

[The Charter, Statutes and Trust Agreement prepared by the Organization Committee embody completely the provisions set forth by the Committee of Experts in this Annex, except that it altered the detailed requirements for reserves and laid down general rules for deposits.]

ANNEX II. [Definition of Reichsmark, pars. 121–122.]

ANNEX III. Mobilization [pars. 123–146].

ANNEX IV. Conditions of Postponement of Transfer and of Payment [pars. 147–154].

[The substance of these Annexes is incorporated in the text of the Certificate of Indebtedness and the Trust Agreement.]

ANNEX V. Organization Committees [pars. 155–166].

[Execution of the provisions is described in the narrative.]

ANNEX VI. The Belgian Mark Claim [pars. 167–187].

[See narrative, p. 135; text of agreement of July 13, 1929, in *Entwürfe zu den Gesetzen*, p. 311, and exchange of notes of January 20, 1930, *Agreements*, p. 140.]

Annex VII

¶188. *Distribution of the Annuities Proposed by the Experts of the Creditor Countries Represented on the Committee*

1. We recommend that the Annuities set out in Part 8 of this Report should be distributed among the creditor powers as follows:

(Millions of Reichsmarks)

German Financial Year	France	British Empire	Italy	Belgium	Rumania	Serbia	Greece	Portugal	Japan	Poland	U. S. A.	Total
1929–30[1] .	418.8	53.1	42.5	70.7	–	72.1	–	6.0	13.2	0.5	65.9	742.8
1930–31 . .	900.7	366.8	156.0	98.2	10.0	79.4	3.6	13.2	13.2	0.5	66.3	1,707.9
1931–32 . .	838.4	362.0	190.8	102.6	12.0	79.3	6.7	13.2	13.2	0.5	66.1	1,685.0
1932–33 . .	879.8	364.5	196.3	105.3	13.0	79.4	6.9	13.2	13.2	0.5	66.1	1,738.2
1933–34 . .	879.1	454.8	192.4	100.3	13.9	72.4	7.2	12.6	11.9	0.4	59.4	1,804.3
1934–35 . .	941.8	450.1	193.6	102.8	14.7	72.5	7.2	12.6	11.9	0.4	59.4	1,866.9
1935–36 . .	962.8	444.9	195.2	110.0	16.1	72.6	7.2	12.6	11.9	0.4	59.4	1,892.9
1936–37 . .	1,004.1	438.1	197.2	116.9	17.2	73.8	8.2	12.6	11.9	0.4	59.4	1,939.7
1937–38 . .	1,031.8	452.6	198.6	114.7	18.3	71.5	8.3	12.4	11.4	0.4	57.2	1,977.0
1938–39 . .	1,052.4	447.1	200.2	114.8	19.1	71.8	8.5	12.4	11.4	0.4	57.2	1,995.3
1939–40 . .	1,087.3	442.5	204.1	117.0	23.7	74.5	8.4	13.6	11.9	0.4	59.4	2,042.8
1940–41 . .	1,179.9	457.1	211.5	117.1	20.1	76.1	8.4	13.6	11.9	0.4	59.4	2,155.5
1941–42 . .	1,171.2	456.3	223.1	123.9	20.0	83.9	8.3	14.2	13.2	0.5	66.1	2,180.7
1942–43 . .	1,191.4	446.0	225.5	124.1	20.6	88.2	8.3	14.2	13.2	0.5	66.1	2,198.0
1943–44 . .	1,190.8	439.8	227.8	124.2	21.1	88.3	8.3	14.2	13.2	0.5	66.1	2,194.3

[1] The year 1929–30 comprises only the seven months September, 1929, to March, 1930.

Annex VII — *Concluded.*

(Millions of Reichsmarks)

German Financial Year	France	British Empire	Italy	Belgium	Rumania	Serbia	Greece	Portugal	Japan	Poland	U. S. A.	Total
1944–45 . .	1,190.7	450.5	230.5	123.9	21.1	88.5	8.3	14.2	13.2	0.5	66.1	2,207.5
1945–46 . .	1,190.8	439.1	233.3	124.0	25.7	88.7	8.3	14.2	13.2	0.5	66.1	2,203.8
1946–47 . .	1,188.1	432.4	235.6	124.1	28.4	88.7	8.3	14.2	13.2	0.5	66.1	2,199.5
1947–48 . .	1,185.2	446.6	237.1	124.1	31.2	88.8	8.3	14.2	13.2	0.5	66.1	2,215.2
1948–49 . .	1,185.1	439.1	239.4	124.2	31.2	88.8	8.3	14.2	13.2	0.5	66.1	2,210.0
1949–50 . .	1,248.6	439.6	248.1	134.6	31.1	99.8	8.1	15.1	15.2	0.6	76.1	2,316.8
1950–51 . .	1,277.9	440.5	260.1	134.7	31.1	99.9	8.1	15.1	15.2	0.6	76.1	2,359.2
1951–52 . .	1,248.5	441.1	272.8	134.7	31.1	100.0	8.1	15.1	15.2	0.6	76.1	2,343.2
1952–53 . .	1,248.3	441.4	275.6	134.7	31.1	100.0	8.1	15.1	15.2	0.6	76.1	2,346.2
1953–54 . .	1,248.2	445.6	278.5	134.7	31.1	100.1	8.1	15.1	15.2	0.6	76.1	2,353.3
1954–55 . .	1,248.1	453.6	281.3	134.7	31.1	100.7	8.1	15.1	15.2	0.6	76.1	2,364.6
1955–56 . .	1,248.2	444.2	285.4	134.7	31.1	101.2	8.1	15.1	15.2	0.6	76.1	2,359.8
1956–57 . .	1,248.1	434.7	289.0	134.9	31.1	101.2	8.1	15.1	15.2	0.6	76.1	2,354.2
1957–58 . .	1,278.6	407.3	292.6	134.9	31.1	102.2	8.1	15.1	15.2	0.6	76.1	2,361.8
1958–59 . .	1,302.8	410.2	296.7	134.8	31.1	103.1	8.1	15.1	15.2	0.6	76.1	2,393.8
1959–60 . .	1,278.4	408.3	299.8	134.8	31.1	103.2	8.1	15.1	15.2	0.6	76.1	2,370.6
1960–61 . .	1,278.2	406.1	310.8	134.7	31.1	104.5	8.1	15.1	15.2	0.6	76.1	2,380.5
1961–62 . .	1,278.2	412.0	321.5	134.5	31.1	105.9	8.1	15.1	15.2	0.6	76.1	2,398.3
1962–63 . .	1,278.1	400.5	324.8	134.8	31.1	105.9	8.1	15.1	15.2	0.6	76.1	2,390.2
1963–64 . .	1,278.0	410.1	327.8	134.6	31.1	106.0	8.1	15.1	15.2	0.6	76.1	2,402.6
1964–65 . .	1,277.9	406.3	331.0	134.9	31.1	106.0	8.1	15.1	15.2	0.6	76.1	2,402.1
1965–66 . .	1,297.5	410.6	334.0	134.5	31.1	106.0	8.1	15.1	15.2	0.6	76.1	2,428.8

[086]

Average, 1929–65 .	1,046.5	409.0	213.7	115.5	20.1	84.0	7.0	13.2	13.2	0.5	66.1	1,988.8
1966–67 . .	794.2	357.2	290.1	53.1	31.7	22.7	9.7	8.2	–	–	40.8	1,607.7
1967–68 . .	794.1	346.7	295.1	52.8	36.8	22.7	9.7	8.2	–	–	40.8	1,606.9
1968–69 . .	790.9	349.4	302.3	53.0	39.8	22.7	9.7	8.2	–	–	40.8	1,616.7
1969–70 . .	787.7	355.7	309.3	53.1	42.9	22.7	9.7	8.2	–	–	40.8	1,630.0
1970–71 . .	787.5	361.2	317.6	53.2	42.9	22.7	9.7	8.2	–	–	40.8	1,643.7
1971–72 . .	787.3	361.8	327.7	52.8	42.9	22.7	9.7	8.2	–	–	40.8	1,653.9
1972–73 . .	787.1	366.1	332.0	52.8	42.9	22.7	9.7	8.2	–	–	40.8	1,662.3
1973–74 . .	786.9	365.4	336.3	52.8	42.9	22.6	9.7	8.2	–	–	40.8	1,665.7
1974–75 . .	786.8	364.1	340.5	52.8	42.9	22.6	9.7	8.2	–	–	40.8	1,668.4
1975–76 . .	786.6	366.4	344.6	53.2	42.9	22.6	9.7	8.2	–	–	40.8	1,675.0
1976–77 . .	786.3	363.8	350.8	53.5	42.9	22.6	9.7	8.2	–	–	40.8	1,678.7
1977–78 . .	786.1	364.8	356.9	53.3	42.9	22.6	9.7	8.2	–	–	40.8	1,685.4
1978–79 . .	785.9	365.1	367.1	53.2	42.9	22.6	9.7	8.2	–	–	40.8	1,695.5
1979–80 . .	785.7	364.7	372.9	52.9	42.9	22.6	9.7	8.2	–	–	40.8	1,700.4
1980–81 . .	785.5	363.5	385.1	53.1	42.9	22.6	9.7	8.2	–	–	40.8	1,711.3
1981–82 . .	785.2	365.7	400.1	53.3	42.9	22.6	9.7	8.2	–	–	–	1,687.6
1982–83 . .	785.0	362.9	407.2	53.4	42.9	22.6	9.7	8.2	–	–	–	1,691.8
1983–84 . .	784.7	372.0	409.8	53.4	42.9	22.6	9.7	8.2	–	–	–	1,703.3
1984–85 . .	784.4	346.2	416.5	53.0	42.9	22.6	9.7	8.2	–	–	–	1,683.5
1985–86 . .	784.1	—414.1[1]	418.8	53.0	42.9	22.6	9.7	8.2	–	–	–	925.1
1986–87 . .	783.9	—414.1[1]	425.0	53.3	42.9	22.6	9.7	8.2	–	–	–	931.4
1987–88 . .	753.3	—372.1[1]	382.6	50.6	42.9	22.6	9.7	8.2	–	–	–	897.8

[1] These sums correspond to the excess war debt receipts of Great Britain over war debt payments during these three years.

¶189. 2. We recommend that out of the unconditional annuity of 660,000,000 Reichsmarks the amount of 500,000,000 Reichsmarks should be allocated to France subject to the provision of a Guaranty Fund by the French Government in accordance with the arrangements set out in Annex VIII. Out of the remainder of the unconditional annuity, after allowing for the service of the Dawes loan, 42,000,000 Reichsmarks will be apportioned to Italy. So far as concerns the balance of the unconditional annuity,[1] and the amounts by which it is increased as the requirements for the service of the Dawes loan become less and cease, Italy will have no claim until so much of the balance as may be required for an equitable apportionment shall have been allotted, by agreement of all the Governments, to the remaining powers entitled to share in the annuities provided for by this Plan.

¶190. 3. The schedule of deliveries in kind set out in Part 8 (*f*) shall be allocated among the creditor Governments as follows:[2]

[1] The remaining amount was apportioned by par. 2 of the protocol of August 31, 1929; see p. 75–76.

[2] The table is shown in its successive stages; see also p. 80–85.

YEARS	Total	France[1] 54.45%	Britain 23.05%	Italy[1] 10%	Belgium 4.5%	Japan 0.75%	Serbia 5%	Portugal 0.75%	Rumania 1.10%	Greece 0.40%
First	750	(408.4) 430.9	172.9	(75.0) 52.5	33.7	5.6	37.5	5.6	8.3	3.0
Second	700	(381.2) 398.7	161.4	(70.0) 52.5	31.5	5.2	35.0	5.2	7.7	2.8
Third	650	(353.9) 366.4	149.8	(65.0) 52.5	29.2	4.9	32.5	4.9	7.2	2.6
Fourth	600	(326.7) 334.2	138.3	(60.0) 52.5	27.0	4.5	30.0	4.5	6.6	2.4
Fifth	550	(299.5) 302.0	126.8	(55.0) 52.5	24.7	4.1	27.5	4.1	6.1	2.2
Sixth	500	(272.3) 269.8	115.3	(50.0) 52.5	22.5	3.7	25.0	3.7	5.5	2.0
Seventh	450	(245.0) 237.5	103.7	(45.0) 52.5	20.2	3.4	22.5	3.4	5.0	1.8
Eighth	400	(217.8) 205.3	92.2	(40.0) 52.5	18.0	3.0	20.0	3.0	4.4	1.6
Ninth	350	(190.6) 173.1	80.7	(35.0) 52.5	15.7	2.6	17.5	2.6	3.9	1.4
Tenth	300	(163.3) 140.8	69.1	(30.0) 52.5	13.5	2.3	15.0	2.3	3.3	1.2

[1] As modified by the Annex to Appendix 2 of the protocol of August 31, 1929.

Table showing the Distribution of Deliveries in Kind among the Creditor Powers [1]

(Replacing the table of par. 190 of Annex VII to the Experts' Plan and that of the Annex to Appendix 2 to Annex II of The Hague Protocol of August 31, 1929)

(In thousands of Reichsmarks)

	France			Great Britain Rec. Act	Italy	Belgium
	Deliveries	Rec. Act (4.95%)	Total			
Transition régime (1. IX. 29–31. III. 30)	272,293.0	21,507.0	293,800	46,036.00	37,000	24,500.00
Year of deliveries in kind (1. IV. 30–31. III. 31)	364,090.4	36,609.6	400,700	190,964.00	52,500	33,750.00
Second year (1931–32)	305,540.0	32,860.0	338,400	186,638.70	52,500	31,500.00
Third year (1932–33)	306,180.6	30,219.4	336,400	140,718.85	52,500	29,250.00
Fourth year (1933–34)	304,506.3	29,693.7	334,200	138,270.60	52,500	27,000.00
Fifth year (1934–35)	274,773.4	27,226.6	302,000	126,782.50	52,500	24,750.00
Sixth year (1935–36)	225,977.9	23,182.1	249,160	107,948.70	52,500	20,837.50
Seventh year (1936–37)	196,314.9	20,545.1	216,860	95,669.70	52,500	17,756.25
Eighth year (1937–38)	166,674.6	17,985.4	184,660	83,750.10	52,500	14,675.00
Ninth year (1938–39)	137,124.4	15,335.6	152,460	71,411.25	52,500	11,593.75
Tenth year (1. IV. 39–31. VIII. 39)	45,274.5	4,710.5	49,985	21,934.60	15,500	637.50
Total	2,598,750.0	259,875.0	2,858,625	1,210,125.00	525,000	236,250.00

[1] Appendix I to Regulations for Deliveries in Kind, Annex IX to Agreement of January 20, 1930, *Agreements*, p. 98.

Table showing the Distribution of Deliveries in Kind among the Creditor Powers — Continued

(Replacing the table of par. 190 of Annex VII to the Experts' Plan and that of the Annex to Appendix 2 to Annex II of The Hague Protocol of August 31, 1929)

(In thousands of Reichsmarks)

	Japan	Yugo-slavia	Portu-gal	Ru-mania [1]	Greece	Total Deliveries	Rec. Act	Total
Transition régime (1. IX. 29–31. III. 30) .	2,550	26,000	4,600	–	–	366,943.00	67,543.00	434,486.00
Year of deliveries in kind (1. IV. 30–31. III. 31)	5,625	37,500	6,548	9,000	3,000	512,013.40	227,573.60	739,587.00
Second Year (1931–32) . . .	5,250	35,000	4,800	6,950	2,800	444,340.00	219,498.70	663,838.70
Third year (1932–33)	4,875	32,500	4,500	7,150	2,600	439,555.60	170,938.25	610,493.85
Fourth year (1933–34)	4,500	30,000	4,402	6,600	2,400	431,908.30	167,964.30	599,872.60
Fifth year (1934–35)	4,125	27,500	4,125	6,050	2,200	396,023.40	154,009.10	550,032.50
Sixth year (1935–36)	3,750	23,300	3,328	5,500	2,000	337,193.40	131,130.80	468,324.20
Seventh year (1936–37) . . .	3,375	19,400	2,742	4,950	1,800	298,838.15	116,214.80	415,052.95
Eighth year (1937–38)	3,000	16,600	2,156	4,400	1,600	261,605.60	101,735.50	363,341.10
Ninth year (1938–39)	1,825	13,200	1,570	3,850	1,400	223,063.15	86,746.85	309,810.00
Tenth year (1. IV. 39–31. VIII. 39) .	500	1,500	604	3,300	1,200	68,516.00	26,645.10	95,161.10
Total	39,375	262,500	39,375	57,750	21,000	3,780,000.00	1,470,000.00	5,250,000.00

[1] If the Rumanian Government and the German firms subsequently agree that the quota fixed in respect of a given period shall be exceeded, a corresponding reduction shall be applied by agreement between the German and Rumanian Governments to the other annuities. The distribution in respect of the other Powers shall, however, not be changed.

¶191. Proceeds of Reparation Recovery Acts already in force, or of systems substituted therefor by agreement with the German Government, shall be reckoned as deliveries in kind for this purpose.[1]

¶192. 4. The sums received under the Dawes Plan in respect of the period April 1 to August 31, 1929, shall, after allowing for expenses in respect of administration of the Dawes Plan and armies of occupation, be redistributed to the extent necessary to provide each of the creditor powers with cover for its net debt outgoings during the year ending March 31, 1930 (these outgoings are as stated in Part 8 of the Report). The necessary adjustments for this purpose could be made against the payments during the last seven months of that year.[2]

¶193. 5. It is suggested that the division between the creditor Governments proposed in the present Annex should be accepted as a definitive settlement of all questions relating to the distribution of German payments and should not be affected by any existing arrangements or by the result of accounts relating to past transaction.

¶194. On the other hand it is not suggested that the present Plan should affect or disturb in any way any existing interallied agreements relating to payments, cessions or deliveries on the part of the powers formerly allied with Germany. It may, however, prove necessary to examine any provisions of these agreements under which receipts by the creditor powers could be accounted

[1] See the British and French agreements of January 2 and 18, 1930, Annex X to the agreement of January 20, *Agreements*, p. 100.

[2] See Art. I of the financial agreement (Annex I of the protocol of August 31), p. 189, and p. 61.

It is provided by the arrangement between the creditor powers (*Agreements*, p. 143):

"For the application of par. 192 of the Annexes to the Experts' Report, a sum of 118,100,000 Reichsmarks will be handed over to Great Britain, Italy and Greece out of the receipts in respect of the last five months of the Dawes Plan.

"This payment will be divided as follows:

	Reichsmarks
Great Britain	102,000,000
Italy	14,800,000
Greece	1,300,000

"It will be charged on the excesses of the various Powers in the following amounts:

	Reichsmarks
France	89,380,446
Belgium	12,014,283
Japan	2,527,350
Yugoslavia	13,021,695
Portugal	134,661
Rumania	912,920
Poland	108,645"

for as between themselves in terms of German C Bonds in order that they may be given an application consistent with their original practical purpose.

¶195. 6. The approval of the Report by the Experts of the principal creditor countries is made formally contingent on this distribution.

Annex VIII. Guaranty Fund in Respect of Unconditional Annuities

¶196. 1. The Experts of the principal creditor Governments have agreed that there shall be assigned to France out of the unconditional annuity 500,000,000 Reichsmarks, in order to allow her to mobilize a substantial part of her share in the total annuity.

¶197. The aforesaid experts consider that this assignment should be final, and in no case subject to diminution, but should continue to be included in the total assigned to France subject only to the alteration contemplated in the Special Memorandum signed concurrently with the Report of this Committee.

¶198. 2. In order to equalize the short payments to other creditors which would arise from a postponement of the postponable portion of the annuity, it was agreed that France should deposit a special guarantee fund with the Bank for International Settlements.

¶199. 3. On the coming into force of this Plan, France will give to the Bank for International Settlements an undertaking to deposit in a Trust Fund, on the demand of the Bank for International Settlements foreign currencies to a total value of 500,000,000 Reichsmarks. It is understood that this demand will not be made until action has been taken leading to the calling of the Advisory Committee referred to in Part 8 (*e*) of the Report. The amount of 500,000,000 Reichsmarks will be reduced by the amount of any payments made by France under par. 4 below. The Bank for International Settlements may retain this deposit as long as it deems necessary, but shall pay interest on it at its maximum current rate for long-term deposits. This deposit, if it is agreed that it shall remain for more than five years, shall be entitled to participate in the profits of the Bank divisible under Section XI, 5 of Annex I. [1]

¶200. 4. As soon as mobilization of any part of the French annuity has been effected, France will deduct from the proceeds

[1] See Art. 53*e* of the Statutes of the Bank.

10% thereof, or 500,000,000 Reichsmarks, whichever is the less, and will deposit it to the credit of the Trust Account of the Bank for International Settlements referred to in the preceding paragraph.

¶201. 5. Upon postponement of transfer of any payment due from Germany, the Bank for International Settlements shall take the following steps:

¶202. (*a*) offer to the creditors, other than France, devisen up to the amount necessary (but not exceeding 500,000,000 Reichsmarks divided if necessary proportionately) to insure to each of them receipts in devisen equal to the amounts they would have received had the non-postponable annuity been distributed in the same proportions as the total annuity;

¶203. (*b*) debit the Trust Fund set up under par. 2 above with the amount of devisen actually utilized under § (*a*);

¶204. (*c*) receive from each creditor, in exchange for devisen accepted under § (*a*), an assignment in favor of the Trust Fund of an equivalent amount of the annuity, transfer of which has been postponed.

¶205. 6. As and when Germany effectively transfers the postponed amounts, the Bank will credit to the Trust Fund its share thereof in accordance with the assignment in par. 5 (*c*) above.

2. PROTOCOL APPROVED AT THE PLENARY SESSION OF THE HAGUE CONFERENCE HELD ON AUGUST 31, 1929[1]

[The protocol itself deals almost exclusively with transitional details respecting the necessary committees and the reconvening of the conference (*supra*, p. 35). The permanent part of the protocol is Art. 2, which "accepted the said Plan in principle" and distributed the unallotted remainder of the nonpostponable annuity (see p. 75). The permanent portions of the annexes are given below:]

Annex I. Financial Agreement between the Belgian, British, French, Italian and Japanese Delegations, and the German Delegation, in so far as Germany is concerned

The Belgian, British, French, Italian and Japanese Delegations, and the German Delegation, in so far as Germany is concerned, have agreed on the following arrangements with a view to securing the approval in principle of the Experts' Report, viz.: —

[1] British Parliamentary Papers, Miscellaneous No. 5 (1929), Cmd. 3392.

I. In accordance with pars. 83 and 84[1] of the Experts' Report of June 7, 1929, and par. 192[2] of the Annexes, Great Britain will receive, out of the payments due by Germany in respect to the last five months of the fifth Dawes Annuity, the amount (estimated at 100 million gold marks) which is required together with her receipts under the Dawes Plan, to cover in full her net debt outgoings during the year ending March 31, 1930, and the current costs of the British Army of Occupation up to August 31, 1929.

In pursuance of the same provisions, Italy and Greece will receive the sums required to cover in full their debt outgoings during the year ending March 31, 1930, as defined in par. 93[3] of the Experts' Report.

II. Save as provided in the preceding article, Germany, Great Britain, Italy and Japan make, and will make, no claim on the sums paid or payable by Germany in respect of the last five months of the fifth Dawes Annuity, including the sum of about 79,000,000 gold marks due in September, 1929.

In return Belgium and France guarantee to Great Britain to the extent of their liability the payments for which they are responsible in accordance with Art. III below.

III. The Belgian and French Governments guarantee without reserve the payment to Great Britain, in addition to the annuities allocated to her by the Experts' Report, of an annuity of 19,800,000 Reichsmarks for 37 years as from 1929,[4] to be paid in sterling in such instalments as may be agreed. The division of this annuity between the French and Belgian Governments will be the subject of a special agreement between them, which will be communicated to the British Government.[5]

IV. Italy having undertaken to apply in favor of Great Britain a part of the claims to which she is entitled under the Agreements of September 10, 1919, and December 8, 1919, in regard to the costs of liberation and the ceded properties, guarantees to Great Britain

[1] P. 158.

[2] P. 186.

[3] Table, p. 161.

[4] Of which 16,650,000 Reichsmarks by France and 3,150,000 by Belgium. (Arrangement between the creditor powers, 9, *Agreements*, p. 144).

[5] It is provided by the arrangement between the creditor powers (*Agreements*, p. 144): "8. The annuities provided by Arts. III and IV of Annex I of the Hague Protocol of August 31, 1929, shall be paid in two equal instalments on July 1 and January 1 in each year, from July 1, 1930, to January 1, 1966. For the current year, in the absence of any different arrangement, the whole amount shall be paid on March 15, 1930, with interest at 5½% from October 1, 1929."

without reserve a further annuity of 9,000,000 Reichsmarks for 37 years, as from 1929, to be paid in sterling in such instalments as may be agreed.[1]

V. For the purposes of the two preceding articles, the Reichsmark is defined as in par. 91[1] of the Experts' Report and in the letter from Dr. Schacht dated June 6, 1929 (Annex II to Experts' Report).

VI. It is agreed that the payments due to each of the Creditor Governments in respect of their net war debts shall be made by the Bank for International Settlements on the dates fixed by the various funding agreements for the payment of the war debt annuities.[2]

VII. The amount of the unconditional annuity provided for in par. 89[2] of Chap. VIII of the Experts' Report shall be fixed at 612,000,000 Reichsmarks a year (excluding whatever sums are required for the service of the German External Loan, 1924). Out of the balance of the unconditional annuity not distributed by the Experts' Report, 55,000,000 Reichsmarks a year will be allocated to the British Empire, and 6,600,000 Reichsmarks to Japan.

HENRI JASPAR, *President.*

M. P. A. HANKEY,
Secretary-General.

Annex II. Agreement regarding Deliveries in Kind

(Excerpt)

I. [Provides for drawing up new regulations for deliveries in kind[3] under par. 138 of the Experts' Report and that they shall not contain permission to export in the manner provided for in par. 139.]

[1] It is provided by the arrangement between the creditor powers (*Agreements*, p. 144):
"8. The annuities provided by Arts. III and IV of Annex I of the Hague Protocol of August 31, 1929, shall be paid in two equal instalments on July 1 and January 1 in each year, from July 1, 1930, to January 1, 1966. For the current year, in the absence of any different arrangement, the whole amount shall be paid on March 15, 1930, with interest at 5½% from October 1, 1929."

[2] It is provided by the arrangement between the creditor powers (*Agreements*, p. 144):
"7. In order to give effect to Art. VI of Annex I of the Protocol of August 31, 1929, the French and Italian Governments agree to pay to Great Britain during each of the 36 financial years commencing April, 1930, the annuities provided for in their respective War Debt Funding Agreements by equal monthly instalments on the 15th of each month, instead of in half-yearly instalments on September 15 and March 15 of each year.
"The dates of the release of the Italian gold deposit provided for in Art. 7 of the Anglo-Italian War Debt Funding Agreement will be similarly modified."
For the agreements referred to see Parliamentary Papers, Cmd. 2580 and 2692.

[3] Not reprinted; see *Agreements*, p. 80.

II. The Belgian, British, French, Italian and Japanese Governments agree that the British and French Governments have the right to a Reparation (Recovery) Act levy *pari passu* with any Deliveries in Kind, including those furnished under a moratorium, that is to say, that of the total amount transferred in any year in Deliveries in Kind (including the quotas under the Reparation Recovery Acts), the quota under the British Reparation (Recovery) Act will amount to 23.05% and the quota under the French Reparation (Recovery) Act to 4.95%. The German Government makes a reserve in so far as concerns the possible application of the Reparation (Recovery) Acts after the expiry of the 10 years' program of Deliveries in Kind laid down in the Experts' Report.

III. The Italian Government undertakes, as part of the present agreement, to execute the arrangement laid down in Appendix 2 hereto in the matter of imports of coal to Italy.

HENRI JASPAR, *President.*

M. P. A. HANKEY,
Secretary-General.

APPENDIX 1 TO ANNEX II [1]

With a view to safeguarding the financial, commercial and economic interests of the several signatory Governments, the following procedure shall be applied to the special programs for deliveries in kind:

(*a*) In the case of any such special program involving an extension in any of the first 10 years of the Experts' Report of the program of deliveries in kind laid down in the Report for that year.

(*b*) In the case of any special program after the first 10 years.

These special programs shall be submitted for approval to a committee, which shall be convened by the Bank for International Settlements and on which each of the signatory Governments may have a representative. This committee shall take decisions by a majority vote. If a member of the committee considers that the interests of his Government as defined above are prejudiced by the decision of the committee, he may suspend the execution thereof in whole or part and refer the decision to the arbitrator provided for hereafter, on condition that he furnishes the arbitrator with a reasoned statement of his objections within a maximum period of seven days. The arbitrator shall give a decision within 14 days

[1] Enacts part of Report, Annex IV, Sec. 4.

concerning the approval or the rejection of the program or of the part of the program in dispute.

The arbitrator shall be of neutral nationality, and shall be of high commercial and financial standing. He shall be appointed by the signatory Governments acting unanimously or, failing unanimity, by the president of the Permanent Court of International Justice.

HENRI JASPAR, *President.*

M. P. A. HANKEY,
Secretary-General.

APPENDIX 2 TO ANNEX II. Provides for Italian purchase of British coal (see *supra*, p. 84).

ANNEX TO APPENDIX 2. ARRANGEMENT BETWEEN THE FRENCH AND ITALIAN GOVERNMENTS REVISING THEIR DELIVERIES IN KIND SCHEDULES (see first table under Report, ANNEXES, PAR. 190, p. 183).

ANNEX III. AGREEMENT UPON THE TRANSITION PERIOD.

ANNEX IV. AGREEMENT UPON COSTS OF OCCUPATION.

3. AGREEMENT WITH GERMANY

The Representatives of Germany, Belgium, France, Great Britain, Italy and Japan, meeting at Geneva on September 16, 1928, expressed their determination to make a complete and final settlement of the question of reparations and, with a view to attaining this object, provided for the constitution of a Committee of Financial Experts.

With this object the Experts met at Paris and their report was made on June 7, 1929. Approval in principle was given to this report by the Hague Protocol of August 31, 1929.

The duly authorized representatives of the Government of the German Reich, the Government of His Majesty the King of the Belgians, the Government of the United Kingdom of Great Britain and Northern Ireland, the Government of Canada, the Government of the Commonwealth of Australia, the Government of New Zealand, the Government of the Union of South Africa, the Government of India, the Government of the French Republic, the Government of the Greek Republic, the Government of His Majesty the King of Italy, the Government of His Majesty the Emperor of Japan, the Government of the Republic of Poland, the Government of the Republic of Portugal, the Government of

His Majesty the King of Rumania, the Government of the Czechoslovak Republic and the Government of His Majesty the King of Yugoslavia

Have reached the following agreement:

ARTICLE I. The Experts' Plan of June 7, 1929, together with this present Agreement and the Protocol of August 31, 1929 (all of which are hereinafter described as the New Plan) is definitely accepted as a complete and final settlement, so far as Germany is concerned, of the financial questions resulting from the War. By their acceptance the signatory powers undertake the obligations and acquire the rights resulting for them respectively from the New Plan.

The German Government gives the Creditor Powers the solemn undertaking to pay the annuities for which the New Plan provides in accordance with the stipulations contained therein.

ART. II. As from the date the New Plan is put into execution as provided in the final clause of this present Agreement, Germany's previous obligation is entirely replaced, except in respect of the German External Loan 1924, by the obligation laid down in the New Plan. The payment in full of the annuities there mentioned, in so far as the same are due to the Creditor Powers, is accepted by those powers as a final discharge of all the liabilities of Germany still remaining undischarged, referred to in Sec. XI of Part I of the Dawes Plan as interpreted by the decisions of the Interpretation Tribunal set up under the London Agreement of August 30, 1924.

ART. III. A. The signatory Governments recognize that the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes Plan, together with all accounts involving credits to Germany, either now or in the future, against the original capital debt are henceforth obsolete and without practical effect and declare them closed in their present condition.

B. (*a*) In execution of par. 143 of the Experts' Report of June 7, 1929, on the understanding that the following declaration is to be considered as a full compliance with the requirements of that paragraph as to a waiver, Germany declares that she waives every claim as defined by the following list, whether for a payment or for property, which she may have addressed or might hereafter address to the Reparation Commission or to any Creditor Power signatory to the present agreement for any transaction prior in date to the signature of this agreement, connected with the World War,

the armistice conventions, the treaty of Versailles or any agreements made for their execution:

(1) claims relating to property or pecuniary rights of prisoners of war in so far as they have not already been settled by special agreements;

(2) claims seeking to obtain the reimbursement of payments made under par. 11 of the Annex to Art. 296 of the treaty of Versailles;

(3) claims relating to loans issued by the former German colonies;

(4) any claims, whether for a payment or for property, which the German Government has presented or might present for its own account other than state claims notified, under the clearing procedure provided for under Arts. 296 and 72 of the treaty of Versailles, by the Creditor to the Debtor Office.

(*b*) By way of reciprocity the Creditor Powers accept in conformity with the recommendation of par. 96 of the Experts' Report of June 7, 1929, the payment in full of the annuities fixed thereby as a final discharge of all the liabilities of Germany still remaining undischarged and waive every claim additional to those annuities, either for a payment or for property, which has been addressed or might be addressed to Germany for any past transaction falling under the same heads of claim as those appearing under (1) to (4) above.

(*c*) The provisions of the present article do not affect the execution of agreements later in date than January 10, 1920, for the abandonment of the liquidation of German private property, rights or interests or the restitution either of those properties, rights or interests or the proceeds of their liquidation.

C. (*a*) The Creditor Governments undertake, as from the date of the acceptance of the Experts' Report of June 7, 1929, to make no further use of their right to seize, retain and liquidate the property, rights and interests of German nationals or companies controlled by them, in so far as not already liquid or liquidated or finally disposed of, including the rights of the signatory Creditor Powers under Art. 306, pars. (5), (6) and (7) of the treaty of Versailles.

(*b*) The execution of this undertaking will be regulated by special agreements between the German Government and each of the Governments concerned.

(*c*) The signatory Governments will use every effort to clear up definitely all outstanding questions relating to the execution of this undertaking within one year after the coming into force of the New Plan.

(*d*) This undertaking has no application in cases where special settlements have already been made.

D. All or some of the questions mentioned in the present article as to the waiver of claims and the cessation of liquidation are governed, as between the German Government on the one hand and the following Governments respectively on the other hand, by the Agreements concluded on the following dates, that is to say:[1] Belgium, July 13, 1929, and January 16, 1930; Great Britain, December 28, 1929;[2] Canada, January 14, 1930; Commonwealth of Australia, January 17, 1930; New Zealand, January 17, 1930; France, December 31, 1929; Italy, January 20, 1930; Poland, October 31, 1929.

ART. IV. From and after the date on which the New Plan comes into force, the Office for Reparation Payments and the organizations in Berlin connected therewith shall be abolished and the relations with Germany of the Reparation Commission shall come to an end.

Under the régime of the New Plan only those of the functions of these organizations the maintenance of which is necessitated by the New Plan will continue in existence; these functions will be transferred to the Bank for International Settlements by the "Small Special Committee;"[3] the Bank for International Settlements will exercise them within the conditions and limits of the New Plan in conformity with the provisions of its Statutes.

Under the régime of the New Plan the powers of the Creditor Powers in relation to Germany will be determined in accordance with the provisions of the Plan.

In regard hereto the representatives of the Belgian, British, French, Italian and Japanese Governments and the Representatives of the German Government have made the declarations contained in Annex I.[4]

The other measures necessary in view of the change from the present system to that of the New Plan, are those provided for in Annex II.[5]

ART. V. The annuities mentioned in the present Agreement

[1] Texts in *Entwürfe zu den Gesetzen*, Fünfter Teil.

[2] British Parliamentary Paper, Misc. No. 3 (1930), Cmd. 3486.

[3] Provided for in the Report, Annex V, 2, and made up of two members of the Organization Committees, representatives of Germany, the Agent General and the Reparation Commission.

[4] See text, *supra*, p. 46.

[5] For permanent provisions see notes to pars. 142 and 146 of the Report, *supra*, p. 171.

include the amounts required for the service of the German External Loan, 1924. These annuities do not include the amounts which the Experts' Plan of June 7, 1929, assigns to the United States of America.

ART. VI. The contracting parties recognize the necessity, with a view to putting into force the New Plan, of the constitution of the Bank for International Settlements. They recognize the corporate existence of the Bank to take effect as soon as it is constituted in accordance with the Statutes annexed to the law incorporating the Bank which is the subject of the convention concluded with the Government of the Swiss Confederation.[1]

ART. VII. The Government of the Reich will deliver to the Bank for International Settlements, as Trustee for the Creditor Powers, the Debt Certificate referred to in Annex III.[2]

Further, the German Government guarantees that the German Railway Company (Deutsche Reichsbahngesellschaft) will deliver to the Bank for International Settlements the Certificate mentioned in Annex IV.[3]

ART. VIII. With a view to facilitating the successful working of the New Plan the German Government declares spontaneously that it is firmly determined to make every possible effort to avoid a declaration of postponement and not to have recourse thereto until it has come to the conclusion in good faith that Germany's exchange and economic life may be seriously endangered by the transfer in part or in full of the postponable portion of the annuities. It remains understood that Germany alone has authority to decide whether occasion has arisen for declaring a postponement as provided by the New Plan.

ART. IX. The German Government undertakes to take the measures necessary for the enactment of the special laws required for the application of the New Plan, that is to say —

(*a*) the law for the amendment of the Bank Law of August 30, 1924, in accordance with Annex V;[4]

(*b*) the law for the amendment of the law of the Deutsche Reichsbahngesellschaft, in accordance with Annex VI.[5]

These laws may only be amended in the conditions and in accordance with the procedure laid down by Annexes VA and VIA.

[1] See text, p. 203.

[2] See text, p. 232.

[3] Not reprinted; for text see *Agreements*, p. 39.

[4] Not reprinted; for text see *Agreements*, p. 40.

[5] Not reprinted; for text see *Agreements*, p. 45.

The German Government further undertakes to apply the provisions contained in Annexes VII [1] and XI [2] relating to the assignment of the proceeds of certain taxes by way of collateral security for the service of the several parts of the German annuities.

ART. X. The contracting parties will take in their respective territories the measures necessary for securing that the funds and investments of the Bank, resulting from the payments by Germany, shall be freed from all national or local fiscal charges.

The Bank, its property and assets, and also the deposits of other funds intrusted to it, on the territory of, or dependent on the administration of, the parties shall be immune from any disabilities and from any restrictive measures such as censorship, requisition, seizure or confiscation, in time of peace or war, reprisals, prohibition or restriction of export of gold or currency and other similar interferences, restrictions or prohibitions. [3]

ART. XI. The Governments of the Creditor Powers have settled the text of a Trust Agreement, appearing in Annex VIII, [4] for the receipt, management and division of the German annuities.

The Bank for International Settlements upon its establishment will be invited to give its adhesion to the agreement, and the Governments referred to will appoint delegates with the powers necessary to sign.

The German Government declares that it has been informed of the text of the agreement.

ART. XII. The system of deliveries in kind will be governed by the provisions contained in Annex IX hereto [5] and in the second Annex [6] to the Protocol of August 31, 1929.

The methods of administering the law of Great Britain entitled "The German Reparation (Recovery) Act 1921" and the levy on German imports into France have been settled by agreements between the German Government on the one hand and the British

[1] Deals with former controlled revenues, *Agreements*, p. 67, and *supra*, p. 68.

[2] Not reprinted; for text see *Agreements*, p. 105. The system established for securing payment of the external loan consists of continuing the practice in force under the commissioner of assigned revenues under the Dawes Plan. The proceeds of the taxes pledged to loan service are remitted to an account of the trustees monthly and are released when the monthly loan requirements are met.

[3] *Cf.* par. 10 of the Charter of the Bank, p. 206.

[4] See text, p. 220.

[5] Not reprinted; for text see *Agreements*, p. 80.

[6] This annex is largely transitional, except for certain technical details. The permanent part of it, enacting the Experts' Report, Annex IV, 4, is printed at p. 191.

and French Governments respectively on the other; the text of these Agreements is set out in Annex X.[1]

ART. XIII. The German Government confirms all the priorities, securities and rights hitherto created for the benefit of the German External Loan, 1924, and declares that nothing in the New Plan or in consequence of the termination of the Dawes Plan, diminishes or varies the nature and extent of its prior obligations and engagements assumed under the General Bond[2] securing said loan, all of which are preserved in their integrity. The Governments of the other signatory powers similarly confirm and recognize the absolute prior position of the service of the German External Loan, 1924, and declare, in so far as they are concerned, that all the priorities, securities and rights hitherto granted said loan remain unimpaired including those under the London protocol dated August 30, 1924.[3] In particular, but without limiting the foregoing general declarations, the Governments of the German Reich and of the other signatory powers recognize that the specific first prior charge for the benefit of the said loan continues to attach to all payments hereafter to be made by Germany for reparation or other treaty costs, including not only the nonpostponable portion of the German annuities to be paid into the Annuity Trust Account but also the postponable portion of the German annuities to be paid into the Annuity Trust Account; and the said powers accordingly agree that the amounts currently required for the service of said loan shall be paid out of said annuities to, or upon the order of, the Trustees of said loan in priority to any other disbursements made therefrom. The Government of the German Reich further accepts and confirms the provisions for the security of the German External Loan, 1924, which are contained in Annex XI,[4] of which the English text is alone authentic.

ART. XIV. The Creditor Powers recognize that their acceptance of the solemn undertaking of the German Government replaces all controls, special securities, pledges or charges existing at the present time, with the exception of those specially mentioned in Art. XIII and in Annexes VI, VII and XI.

ART. XV. 1. Any dispute whether between the Governments

[1] Not reprinted; for text see *Agreements*, p. 100.

[2] Reparation Commission, *Official Documents*, XIV, p. 318.

[3] *Cf.* Art. 3 of the agreement between the allied Governments amending Part VIII, Annex II of the treaty of Versailles, *Reparation*, Part VI, p. 263; Reparation Commission, *Official Documents*, XIV, p. 157.

[4] Not reprinted; for text see *Agreements*, p. 105.

signatory to the present agreement or between one or more of those Governments and the Bank for International Settlements, as to the interpretation or application of the New Plan shall, subject to the special provisions of Annexes I,[1] Va, VIa and IX, be submitted for final decision to an arbitration tribunal of five members appointed for five years, of whom one, who will be the chairman, shall be a citizen of the United States of America, two shall be nationals of states which were neutral during the late war; the two others shall be respectively a national of Germany and a national of one of the powers which are creditors of Germany.

For the first period of five years from the date when the New Plan takes effect this Tribunal shall consist of the five members who at present constitute the Arbitration Tribunal established by the Agreement of London of August 30, 1924.

2. Vacancies on the Tribunal, whether they result from the expiration of the five-yearly periods or occur during the course of any such period, shall be filled, in the case of a member who is a national of one of the powers which are creditors of Germany, by the French Government, which will first reach an understanding for this purpose with the Belgian, British, Italian and Japanese Governments; in the case of the member of German nationality, by the German Government; and in the cases of the three other members by the six Governments previously mentioned acting in agreement, or in default of their agreement, by the president for the time being of the Permanent Court of International Justice.

3. In any case in which either Germany or the Bank is plaintiff or defendant, if the chairman of the Tribunal considers, at the request of one or more of the Creditor Governments parties to the proceedings, that the said Government or Governments are principally concerned, he will invite the said Government or Governments to appoint — and in the case of more Governments than one by agreement — a member, who will take the place on the Tribunal of the member appointed by the French Government.

In any case in which, on the occasion of a dispute between two or more Creditor Governments, there is no national of one or more of those Governments among the members of the Tribunal, that Government or those Governments shall have the right to appoint each a member who will sit on that occasion. If the chairman considers that some of the said Governments have a common interest in the dispute, he will invite them to appoint a single

[1] See *supra*, p. 46.

member. Whenever, as a result of this provision, the Tribunal is composed of an even number of members, the chairman shall have a casting vote.

4. Before and without prejudice to a final decision, the chairman of the Tribunal, or, if he is not available in any case, any other member appointed by him, shall be entitled, on the request of any party who makes the application, to make any interlocutory order with a view to preventing any violation of the rights of the parties.

5. In any proceedings before the Tribunal the parties shall always be at liberty to agree to submit the point at issue to the chairman or any one of the members of the Tribunal chosen as a single arbitrator.

6. Subject to any special provisions which may be made in the submission — provisions which may not in any event affect the right of intervention of a third party — the procedure before the Tribunal or a single arbitrator shall be governed by the rules laid down in Annex XII.[1]

The same rules, subject to the same reservation, shall also apply to any proceedings before this Tribunal for which the annexes to the present agreement provide.

7. In the absence of an understanding on the terms of submission, any party may seize the Tribunal directly by a proceeding *ex parte*, and the Tribunal may decide, even in default of appearance, any question of which it is thus seized.

8. The Tribunal, or the single arbitrator, may decide the question of their own jurisdiction, provided always that, if the dispute is one between Governments and a question of jurisdiction is raised, it shall, at the request of either party, be referred to the Permanent Court of International Justice.

9. The present provisions shall be duly accepted by the Bank for the settlement of any dispute which may arise between it and one or more of the signatory Governments as to the interpretation or application of its Statutes or the New Plan.

Final Clause

M. Henri Jaspar, Prime Minister of Belgium, as chairman of the Hague Conference of 1930, will deliver to each of the signatory Governments a certified copy of the present agreement (which expression here, and in all places where the context admits, includes

[1] Not reprinted; for text see *Agreements*, p. 107.

the annexes hereto) immediately after signature. The French and English texts are both, in the absence of special provision to the contrary, authentic, provided that, for the certificates mentioned in Art. VII and the German Laws mentioned in Art. IX of the present agreement the German text, and for the provisions of Annex XI the English text, alone will be authentic.

The present agreement shall be ratified and the deposit of ratifications shall be made at Paris with the French Government.

The powers of which the seat of government is outside Europe will be entitled merely to inform the French Government through their diplomatic representatives at Paris that their ratification has been given; in that case they must transmit the instrument of ratification as soon as possible.

The New Plan will come into force and will be considered as having been put into execution on the date on which the Reparation Commission and the chairman of the Kriegslastenkommission have agreed in reporting:

(1) The ratification of the present agreement by Germany and the enactment of the German laws in accordance with the relative annexes.

(2) The ratification of the present agreement by four of the following powers, that is to say, Belgium, Great Britain, France, Italy and Japan.

(3) The constitution of the Bank for International Settlements and the acceptance by the Bank of the undertakings by it for which the present agreement provides, and also its receipt of the certificate of the German Government and the certificate of the German Railway Company as provided in Annexes III and IV.

The report of the Reparation Commission shall require a unanimous vote of the members of the Commission as constituted for the purposes of the treaty of Versailles when a question concerning Germany is under consideration, the Japanese delegate nevertheless taking part in the discussion and giving his vote.

The report of the Reparation Commission and the chairman of the Kriegslastenkommission will be notified to all the powers signatory of the present agreement.

Provided always that the substitution of the obligations and annuities of the New Plan for those of the Experts' Plan of April 9, 1924, shall date from September 1, 1929, regard being had to the provisions of the Hague Protocol of August 31, 1929, and of Annex II to the present agreement.

The present agreement will come into force for each Government other than the four of those mentioned above by name who first ratify, on the date of notification or deposit of ratification.

Provided always that any such ratification shall have the same effect as if it had taken place before the report of the Reparation Commission and the chairman of the Kriegslastenkommission.

The French Government will transmit to all the signatory Governments a certified copy of the procès-verbaux of the deposit.

Done in a single copy at The Hague, the 20th day of January, 1930.

CURTIUS.
WIRTH.
SCHMIDT.
MOLDENHAUER.
HENRI JASPAR.
PAUL HYMANS.
E. FRANCQUI.
PHILIP SNOWDEN.
PETER LARKIN.
GRANVILLE RYRIE.
E. TOMS.
PHILIP SNOWDEN.
PHILIP SNOWDEN.
HENRI CHERON.
LOUCHEUR.
N. POLITIS.
J. G. POLITIS.
A. MOSCONI.
A. PIRELLI.
SUVICH.
M. ADATCI.
K. HIROTA.
J. MROZOWSKI.
R. ULRICH.
TOMAZ FERNANDES.
G. G. MIRONESCO.
N. TITULESCO.
J. LUGOSIANO.
AL. ZEUCEANO.
Dr. EDUARD BENES.
STEFAN OSUSKY.
Dr. V. MARINKOVICH.
CONST. FOTICH.

II. THE BANK FOR INTERNATIONAL SETTLEMENTS

1. CONVENTION RESPECTING THE BANK FOR INTERNATIONAL SETTLEMENTS, SIGNED AT THE HAGUE, JANUARY 20, 1930[1]

The duly authorized representatives of the Governments of Germany, of Belgium, of France, of the United Kingdom of Great Britain and Northern Ireland, of Italy and of Japan of the one part

And the duly authorized representatives of the Government of the Swiss Confederation of the other part

Assembled at The Hague Conference in the month of January, 1930, have agreed on the following:

ARTICLE 1. Switzerland undertakes to grant to the Bank of International Settlements, without delay, the following constituent charter having force of law; not to abrogate this charter, not to amend or add to it, and not to sanction amendments to the Statutes of the Bank referred to in par. 4 of the charter otherwise than in agreement with the other signatory Governments.

ART. 2. Any dispute between the Swiss Government and any one of the other signatory Governments relating to the interpretation or application of the present convention shall be submitted to the Arbitral Tribunal provided for by the Hague Agreement of January, 1930. The Swiss Government may appoint a member who shall sit on the occasion of such disputes, the president having a casting vote. In having recourse to this Tribunal the parties may always agree between themselves to submit their dispute to the president or to one of the members of the Tribunal chosen to act as sole arbiter.

ART. 3. The present convention is entered into for a period of 15 years. It is entered into on the part of Switzerland under reserve of ratification and shall be put into force as soon as it shall have been ratified by the Government of the Swiss Confederation. The instrument of ratification shall be deposited with the Ministry of Foreign Affairs at Paris. Upon the entry into force of the convention, the Swiss Government will initiate the necessary con-

[1] Document No. 6 of the Final Act of the Hague Conference, *Agreements concluded at the Hague Conference, January, 1930*, p. 110 (Misc. No. 4 (1930), Cmd. 3484); *Entwürfe zu den Gesetzen über die Haager Konferenz und die Sonder- und Liquidationsabkommen*, p. 258.

stitutional procedure in order that the assent of the Swiss people may be obtained for the maintenance in force during the whole of the Bank's existence of the provisions of the present convention. As soon as these measures have become fully effective the Swiss Government will notify the other signatory Governments and these provisions shall become valid during the Bank's existence.

Constituent Charter of the Bank for International Settlements

Whereas the powers signatory to the Hague agreement of January, 1930, have adopted a Plan which contemplates the founding by the Central Banks of Belgium, France, Germany, Great Britain, Italy and Japan and by a financial institution of the United States of America of an international bank to be called the Bank for International Settlements;

And whereas the said central banks and a banking group including Messrs. J. P. Morgan & Company of New York, the First National Bank of New York, New York, and the First National Bank of Chicago, Chicago, have undertaken to found the said Bank and have guaranteed or arranged for the guaranty of the subscription of its authorized capital amounting to five hundred million Swiss francs equal to 145,161,290.32 gram, fine gold, divided into 200,000 shares;

And whereas the Swiss Federal Government has entered into a treaty with the Governments of Germany, Belgium, France, Great Britain, Italy and Japan whereby the said Federal Government has agreed to grant the present Constituent Charter of the Bank for International Settlements and not to repeal, amend or supplement the said Charter and not to sanction amendments to the Statutes of the Bank referred to in par. 4 of the present Charter except in agreement with the said inviting powers;

(1) The Bank for International Settlements (hereinafter called the Bank) is hereby incorporated.

(2) Its constitution, operations and activities are defined and governed by the annexed Statutes, which are hereby sanctioned.

(3) Amendment of articles of the said Statutes other than those enumerated in par. 4 hereof may be made and shall be put into force as provided in Art. 59 of the said Statutes, and not otherwise.

(4) Arts. 2, 3, 4, 9, 15, 20, 25, 28, 46, 53, 56, 59 and 60 of the said Statutes shall not be amended except subject to the following con-

ditions: the amendment must be adopted by a two-thirds majority of the Board, approved by a majority of the General Meeting and sanctioned by a law supplementing the present Charter.

(5) The said Statutes and any amendments which may be made thereto in accordance with pars. 3 or 4 hereof respectively shall be valid and operative notwithstanding any inconsistency therewith in the provisions of any present or future Swiss law.

(6) The Bank shall be exempt and immune from all taxation included in the following categories:

(*a*) stamp, registration and other duties on all deeds or other documents relating to the incorporation or liquidation of the Bank;

(*b*) stamp and registration duties on any first issue of its shares by the bank to a central bank, financial institution, banking group or underwriter at or before the time of incorporation or in pursuance of Art. 7 or 9 of the Statutes;

(*c*) all taxes on the Bank's capital, reserves or profits, whether distributed or not, and whether assessed on the profits of the Bank before distribution or imposed at the time of distribution under the form of a coupon tax payable or deductible by the Bank. This provision is without prejudice to the state's right to tax the residents of Switzerland other than the Bank as it thinks fit;

(*d*) all taxes upon any agreements which the Bank may make in connection with the issue of loans for mobilizing the German annuities and upon the bonds of such loans issued on a foreign market;

(*e*) all taxes on the remunerations and salaries paid by the Bank to members of its administration or its employees of non-Swiss nationality.

(7) All funds deposited with the Bank by any Government in pursuance of the plan adopted by the Hague Agreement of January, 1930, shall be exempt and immune from taxation, whether by way of deduction by the Bank on behalf of the authority imposing the same or otherwise.

(8) The foregoing exemptions and immunities shall apply to present and future taxation by whatsoever name it may be described and whether imposed by the Confederation or by the cantonal, communal or other public authorities.

(9) Moreover, without prejudice to the exemptions specified above, there may not be levied on the Bank, its operation or its personnel any taxation other than that of a general character and to which other banking establishments established at Basel or in

Switzerland, their operations and their personnel, are not subjected *de facto* and *de jure*.

(10) The Bank, its property and assets and all deposits and other funds intrusted to it shall be immune in time of peace and in time of war from any measure such as expropriation, requisition, seizure, confiscation, prohibition or restriction of gold or currency export or import, and any other similar measures.

(11) Any dispute between the Swiss Government and the Bank as to the interpretation or application of the present Charter shall be referred to the Arbitral Tribunal provided for by the Hague agreement of January, 1930.

The Swiss Government shall appoint a member to sit on the occasion of such dispute, the President having a casting vote.

In having recourse to the said Tribunal the Parties may nevertheless agree to submit their dispute to the President or to a member of the Tribunal chosen to act as sole Arbiter.

Done at The Hague, the 20th January, 1930.

Curtius.	A. Pirelli.
Henri Jaspar.	Suvich.
Paul Hymans.	M. Adatci.
E. Francqui.	K. Hirota.
Henri Chéron.	G. Bachmann.
Loucheur.	W. Burckhardt.
Philip Snowden.	Dr. R. Miescher.
A. Mosconi.	

Annex: Statutes of the Bank for International Settlements

Chapter I. Name, Seat and Objects

Article 1. There is constituted under the name of the Bank for International Settlements (hereinafter referred to as the Bank), a company limited by shares.

Art. 2. The registered office of the Bank shall be situated at Basel, Switzerland.

Art. 3. The objects of the Bank are: To promote the cooperation of central banks and to provide additional facilities for international financial operations; and to act as trustee or agent in regard to international financial settlements intrusted to it under agreements with the parties concerned.

Art. 4. As long as the New Plan as defined in Hague Agreement of

January, 1930 (hereinafter referred to as the Plan), is in force, the Bank (1) shall carry out the functions assigned to it in the Plan; (2) shall conduct its affairs with a view to facilitating the execution of the Plan; and (3) shall observe the provisions of the Plan in the administration and operations of the Bank; all within the limits of the powers granted by these Statutes.

During the said period the Bank, as trustee or agent for the governments concerned, shall receive, administer and distribute the annuities paid by Germany under the Plan; shall supervise and assist in the commercialization and mobilization of certain portions of the aforesaid annuities; and shall perform such services in connection with the payment of German reparations and the international settlements connected therewith as may be agreed upon by the Bank with the Governments concerned.

Chapter II. Capital

Art. 5. The authorized capital of the Bank shall be 500,000,000 Swiss gold francs, equivalent to 145,161,290.32 gr. fine gold.

It shall be divided into 200,000 shares of equal gold nominal value.

The nominal value of each share shall also be expressed on the face of each share in terms both of Swiss francs and of the currency of the country in which it is issued, converted at the gold mint parity.

Art. 6. The subscription of the total authorized capital having been guaranteed in equal parts by the Banque Nationale de Belgique, the Bank of England, the Banque de France, the Reichsbank, the Banca d'Italia, Messrs. X,[1] acting in place of the Bank of Japan, and Messrs. Y[2] of New York, the Bank may begin business as soon as the minimum of 112,000 shares has been subscribed.

Art. 7. (1) During the two years following incorporation the Board of Directors of the Bank (hereinafter referred to as the Board) shall arrange for the subscription of any unissued portion of the authorized capital.

(2) This unissued portion may be offered to the central banks or other banks of countries which have not participated in the original subscription. The selection of countries in which such shares shall be offered for subscription and the amount to be subscribed in each shall be determined by the Board by a two-thirds majority, provided that offers of shares shall only be made in countries interested in reparations or in countries whose currencies, in the opinion of the Board, satisfy the practical requirements of the gold or gold exchange standard, and that the amount issued in any one of these countries shall not exceed 8,000 shares.

(3) The seven banking institutions mentioned in Art. 6 shall, in

[1] The Yokohama Specie Bank.

[2] A group consisting of J. P. Morgan & Company of New York, the First National Bank of New York and the First National Bank of Chicago.

accordance with their several guaranties, subscribe or arrange for the subscription in equal proportions of any part of the authorized capital which at the end of two years remains unsubscribed.

ART. 8. (1) Twenty-five per cent only of the value of each share shall be paid up at the time of subscription. The balance may be called up at a later date or dates at the discretion of the Board. Three months' notice shall be given of any such calls.

(2) If a shareholder fails to pay any call on a share on the day appointed for payment thereof the Board may, after giving reasonable notice to such shareholder, forfeit the share in respect of which the call remains unpaid. A forfeited share may be sold on such terms and in such manner as the Board may think fit; and the Board may execute a transfer in favor of the person or corporation to whom the share is sold. The proceeds of sale may be received by the Bank, which will pay to the defaulting shareholder any part of the net proceeds over and above the amount of the call due and unpaid.

ART. 9. (1) The capital of the Bank may be increased or reduced on the proposal of the Board acting by a two-thirds majority and adopted by a two-thirds majority of the General Meeting.

(2) In the event of an increase in the authorized capital of the Bank and of a further issue of shares the distribution among countries shall be decided by a two-thirds majority of the Board. The central banks of Belgium, England, France, Germany, Italy, Japan and the United States of America, or some other financial institution of the last-named country acceptable to the foregoing central banks, shall be entitled to subscribe or arrange for the subscription in equal proportions of at least 55% of such additional shares.

(3) No part of the amount not taken by the Banks of these seven countries shall be subscribed in any other country unless it is interested in reparations or at the time of issue its currency, in the opinion of the Board, satisfies the practical requirements of the gold or gold exchange standard.

ART. 10. In extending invitations to subscribe for capital in accordance with Art. 7, par. 2, or with Art. 9, consideration shall be given by the Board to the desirability of associating with the Bank the largest possible number of central banks.

ART. 11. No shares shall be issued below par.

ART. 12. The liability of shareholders is limited to the nominal value of their shares.

ART. 13. The shares shall be registered and transferable in the books of the Bank.

The Bank shall be entitled without assigning any reason to decline to accept any person or corporation as the transferee of a share. It shall not transfer shares without the prior consent of the central bank, or the institution acting in lieu of a central bank, by or through whom the shares in question were issued.

ART. 14. The shares shall carry equal rights to participate in the profits of the Bank and in any distribution of its assets under Arts. 53, 54 and 55 of the Statutes.

ART. 15. The ownership of shares of the Bank carries no right of voting or representation at the General Meeting. The right of representation and of voting, in proportion to the number of shares subscribed in each country, may be exercised by the central bank of that country or by its nominee. Should the central bank of any country not desire to exercise these rights they may be exercised by a financial institution of widely recognized standing and of the same nationality, appointed by the Board and not objected to by the central bank of the country in question. In cases where there is no central bank, these rights may be exercised, if the Board thinks fit, by an appropriate financial institution of the country in question appointed by the Board.

ART. 16. Any subscribing institution or banking group may issue, or cause to be issued, to the public the shares for which it has subscribed.

ART. 17. Any subscribing institution or banking group may issue to the public certificates against the shares of the Bank owned by it. The form, details and terms of issue of such certificates shall be determined by the Bank issuing them in agreement with the Board.

ART. 18. The receipt or ownership of shares of the Bank or of certificates issued in accordance with Art. 17 implies acceptance of the Statutes of the Bank and a statement to that effect shall be embodied in the text of such shares and certificates.

ART. 19. The registration of the name of the holder of shares in the books of the Bank establishes the title to ownership of the shares so registered.

CHAPTER III. POWERS OF THE BANK

ART. 20. The operations of the Bank shall be in conformity with the monetary policy of the central banks of the countries concerned.

Before any financial operation is carried out by or on behalf of the Bank on a given market or in a given currency the Board shall afford to the central bank or central banks directly concerned an opportunity to dissent. In the event of disapproval being expressed within such reasonable time as the Board shall specify, the proposed operation shall not take place. A central bank may make its concurrence subject to conditions and may limit its assent to a specific operation, or enter into a general arrangement permitting the Bank to carry on its operations within such limits as to time, character and amount as may be specified. This article shall not be read as requiring the assent of any central bank to the withdrawal from its market of funds to the introduction of which no objection had been raised by it, in the absence of stipulations to the contrary by the central bank concerned at the time the original operation was carried out.

Any governor of a central bank or his alternate or any other director

specially authorized by the central bank of the country of which he is a national to act on its behalf in this matter, shall, if he is present at the meeting of the Board and does not vote against any such proposed operation, be deemed to have given the valid assent of the central bank in question.

If the representative of the central bank in question is absent or if a central bank is not directly represented on the Board, steps shall be taken to afford the central bank or banks concerned an opportunity to express dissent.

ART. 21. The operations of the Bank for its own account shall only be carried out in currencies which in the opinion of the Board satisfy the practical requirements of the gold or gold exchange standard.

ART. 22. The Board shall determine the nature of the operations to be undertaken by the Bank.

The Bank may in particular:

(*a*) buy and sell gold coin or bullion for its own account or for the account of central banks;

(*b*) hold gold for its own account under earmark in central banks;

(*c*) accept the custody of gold for the account of central banks;

(*d*) make advances to or borrow from central banks against gold, bills of exchange and other short-term obligations of prime liquidity or other approved securities;

(*e*) discount, rediscount, purchase or sell with or without its indorsement bills of exchange, checks and other short-term obligations of prime liquidity, including treasury bills and other such government short-term securities as are currently marketable;

(*f*) buy and sell exchange for its own account or for the account of central banks;

(*g*) buy and sell negotiable securities other than shares for its own account or for the account of central banks;

(*h*) discount for central banks bills taken from their portfolio and rediscount with central banks bills taken from its own portfolio;

(*i*) open and maintain current or deposit accounts with central banks;

(*j*) accept:

(i) deposits from central banks on current or deposit account;

(ii) deposits in connection with trustee agreements that may be made between the Bank and governments in connection with international settlements;

(iii) such other deposits as in the opinion of the Board come within the scope of the Bank's functions.

The Bank may also:

(*k*) act as agent or correspondent of any central banks;

(*l*) arrange with any central bank for the latter to act as its agent or correspondent. If a central bank is unable or unwilling to act in this

capacity the Bank may make other arrangements, provided that the central bank concerned does not object. If in such circumstances it should be deemed advisable that the Bank should establish its own agency, the sanction of a two-thirds majority of the Board will be required.

(*m*) enter into agreements to act as trustee or agent in connection with international settlements, provided that such agreements shall not encroach on the obligations of the Bank toward third parties; and carry out the various operations laid down therein.

ART. 23. Any of the operations which the Bank is authorized to carry out with central banks under the preceding article may be carried out with banks, bankers, corporations or individuals of any country provided that the central bank of that country does not object.

ART. 24. The Bank may enter into special agreements with central banks to facilitate the settlement of international transactions between them.

For this purpose it may arrange with central banks to have gold earmarked for their account and transferable on their order, to open accounts through which central banks can transfer their assets from one currency to another and to take such other measures as the Board may think advisable within the limits of the powers granted by these Statutes. The principles and rules governing such accounts shall be fixed by the Board.

ART. 25. The Bank may not:

(*a*) issue notes payable at sight to bearer;

(*b*) "accept" bills of exchange;

(*c*) make advances to governments;

(*d*) open current accounts in the name of governments;

(*e*) acquire a predominant interest in any business concern;

(*f*) except so far as necessary for the conduct of its own business, remain the owner of real property for any longer period than is required in order to realize to proper advantage such real property as may come into the possession of the Bank in satisfaction of claims due to it.

ART. 26. The Bank shall be administered with particular regard to maintaining its liquidity, and for this purpose shall retain assets appropriate to the maturity and character of its liabilities. Its short-term liquid assets may include bank notes, checks payable at sight drawn on first-class banks, claims in course of collection, deposits at sight or at short notice in first-class banks, and prime bills of not more than ninety days' usance of a kind usually accepted for rediscount by central banks. The proportion of the Bank's assets held in any given currency shall be determined by the Board with due regard to the liabilities of the Bank.

Chapter IV. Management

Art. 27. The administration of the Bank shall be vested in the Board.

Art. 28. The Board shall be composed as follows:[1]

(1) The Governors for the time being of the central banks of Belgium, France, Germany, Great Britain, Italy, Japan and the United States of America (hereinafter referred to as *ex-officio* Directors), or if any of the said Governors are unwilling or unable to hold office, their respective nominees (hereinafter referred to as substitute nominees).

The tenure of office of a substitute nominee shall be within the discretion of the Governor by whom he is appointed but shall terminate in any case when that governor vacates office.

Any *ex-officio* Director may appoint one person as his alternate who shall be entitled to attend and exercise the powers of a director at meetings of the Board if the Governor himself is unable to be present.

(2) Seven persons representative of finance, industry or commerce appointed one each by the Governors of the central banks mentioned in subclause (1), and being of the same nationality as the Governor who appoints him.

During continuance of the liability of Germany to pay reparation annuities, two persons of French and German nationality respectively, representative of industry or commerce, appointed by the Governors of the Bank of France and of the Reichsbank respectively, if they so desire.

If for any reason the Governor of any of the seven institutions above mentioned is unable or unwilling to serve as Director or to appoint a substitute nominee under subclause (1), or to make an appointment under subclause (2), the Governors of the other institutions referred to, or a majority of them, may invite to become members of the Board two nationals of the country of the Governor in question, not objected to by the central bank of that country.

Directors appointed as aforesaid other than *ex-officio* Directors, or their substitute nominees, shall hold office for three years, but shall be eligible for reappointment.

[1] Directors are:

(1) Ex-officio directors: Louis Franck (Belgian); Emile Moreau (French); Hans Luther (German); Montagu Norman (British); Senator Stringher (Italian); Setsusaburo Tanaka (London representative of the Bank of Japan); Gates W. McGarrah (American), president.

(2) Emile Francqui, vice governor of the Société générale de Belgique; Baron Brincard (French), president of the Crédit Lyonnais; Sir Charles S. Addis (British), Hong Kong and Shanghai Bank; Giuseppe Beneduce, professor and member of the Italian Parliament; Daisuke Nahara, London manager of the Yokohama Specie Bank; Leon Fraser (American), formerly counsel for the Dawes Plan organization; Carl Melchior (German), banking and financial authority.

Marquis de Voguë (French), president of the Compagnie du Canal Suez, and Paul Reusch, industrialist.

(3) Not more than nine persons to be elected by the following procedure:

The Governor of the central bank of every country other than those mentioned in subclause (1), in which capital has been subscribed at the time of incorporation, shall be entitled to submit a list of four candidates of his own nationality for directorship, which may include his own name. Two of the candidates on each list shall be representative of finance and the other two of industry or commerce. From these lists the Board may elect, by a two-thirds majority, not more than nine persons.

The Directors so elected shall be divided by lot into three groups, as nearly as may be equal in number, of which one group shall retire at the end of the first, one at the end of the second and one at the end of the third financial year of the Bank. The retiring Directors shall be eligible for re-election.

At the first meeting of the Directors in the second and succeeding financial years the Board may elect by a two-thirds majority not more than three Directors from a panel of candidates composed of lists of persons with similar qualifications to those specified in connection with the first election. The Governors of the central banks of every country other than those mentioned in subclause (1), in which capital has at the date of such meeting been subscribed shall be entitled to submit a list of four persons to be included in the panel. Directors so elected shall hold office for three years, but shall be eligible for re-election.

If in any of the countries referred to in the preceding paragraph there is no central bank, the Board by a two-thirds majority may nominate an appropriate financial institution to exercise the right of submitting a list of candidates for election.

ART. 29. In the event of a vacancy occurring on the Board for any reason other than the termination of a period of office in accordance with the preceding article, the vacancy shall be filled in accordance with the procedure by which the member to be replaced was selected. In case of Directors other than *ex-officio* Directors the new Director shall hold office for the unexpired period only of his predecessor's term of office. He shall, however, be eligible for re-election at the expiration of that term.

ART. 30. The Directors must be ordinarily resident in Europe or in a position to attend regularly at meetings of the Board.

ART. 31. No person shall be appointed or hold office as a Director who is a member or an official of a Government or is a member of a legislative body, unless he is the Governor of a central bank.

ART. 32. Meetings of the Board shall be held not less than ten times a year. At least four of these shall be held at the registered office of the Bank.

ART. 33. A member of the Board who is not present in person at a meeting of Directors may give a proxy to any other member authorizing him to vote at that meeting on his behalf.

ART. 34. Unless otherwise provided by the Statutes, decisions of the Board shall be taken by a simple majority of those present or represented by proxy. In the case of an equality of votes, the chairman shall have a second or casting vote.

The Board shall not be competent to act unless a quorum of Directors is present. This quorum shall be laid down in a regulation adopted by a two-thirds majority of the Board.

ART. 35. The members of the Board may receive, in addition to out-of-pocket expenses, a fee for attendance at meetings and/or a remuneration, the amounts of which will be fixed by the Board, subject to the approval of the General Meeting.

ART. 36. The proceedings of the Board shall be summarized in minutes which shall be signed by the chairman.

Copies of or extracts from these minutes for the purpose of production in a court of justice must be certified by the General Manager of the Bank.

A record of decisions taken at each meeting shall be sent within eight days of the meeting to every member.

ART. 37. The Board shall represent the Bank in its dealings with third parties and shall have the exclusive right of entering into engagements on behalf of the Bank. It may, however, delegate this right to a member or members of the Board or of the permanent staff of the Bank, provided that it defines the powers of each person to whom it delegates this right.

ART. 38. The Bank shall be legally committed *vis-à-vis* third parties by the signature of the President or by two signatures either of members of the Board or of members of the staff who have been duly authorized by the Board to sign on its behalf.

ART. 39. The Board shall elect from among its members a chairman and one or more vice chairmen, one of whom shall preside at meetings of the Board in the absence of the chairman.

The chairman of the Board shall be President of the Bank.

He shall hold office for three years and shall be eligible for re-election.

Subject to the authority of the Board, the President will carry out the policy and control the administration of the Bank.

He shall not hold any other office which, in the judgment of the Board, might interfere with his duties as President.

ART. 40. At a meeting of the Board at which the election of a chairman is to take place, the chair shall be taken by the oldest member of the board present.

ART. 41. A General Manager[1] shall be appointed by the Board on proposal of the President. He will be responsible to the President for the operations of the Bank and will be the chief of its operating staff.

The heads of departments, and any other officers of a similar rank, shall be appointed by the Board on recommendations made by the President after consultation with the General Manager.

[1] Pierre Quesnay is the first incumbent.

The remainder of the Staff shall be appointed by the General Manager with the approval of the President.

ART. 42. The departmental organization of the Bank shall be determined by the Board.

ART. 43. The Board may, if it thinks fit, appoint from among its members an executive committee to assist the President in the administration of the Bank.

The President shall be a member and *ex-officio* chairman of this committee.

ART. 44. The Board may appoint advisory committees chosen wholly or partly from persons not concerned in the Bank's management.

ART. 45. As long as the Plan is in force, the Board shall convene the Special Advisory Committee referred to in the Plan[1] upon receipt of notice therein provided for.

CHAPTER V. GENERAL MEETING

ART. 46. General Meetings of the Bank may be attended by nominees of the central banks or other financial institutions referred to in Art. 15.

Voting rights shall be in proportion to the number of shares subscribed in the country of each institution represented at the meeting.

The chair shall be taken at General Meetings by the chairman of the Board or in his absence by a vice chairman.

At least three weeks' notice of General Meetings shall be given to those entitled to be represented.

Subject to the provisions of these Statutes, the General Meeting shall decide upon its own procedure.

ART. 47. Within three months after the end of each financial year of the Bank, an Annual General Meeting shall be held upon such date as the Board may decide.

The meeting shall take place at the registered office of the Bank.

Voting by proxy will be permitted in such manner as the Board may have provided in advance by regulation.

ART. 48. The Annual General Meeting shall be invited:

(*a*) to approve the Annual Report, the Balance Sheet upon the report of the auditors, and the Profit and Loss Account, and any proposed change in the remuneration, fees or allowances of members of the Board.

(*b*) to make appropriations to Reserve and to special funds; and to consider the declaration of a dividend and its amount.

(*c*) to elect the auditors for the ensuing year and to fix their remuneration, and

(*d*) to discharge the Board from all personal responsibility in respect of the past financial year.

[1] For this committee, see p. 78, 167.

ART. 49. Extraordinary General Meetings shall be summoned to decide upon any proposals of the Board:

(*a*) to amend the Statutes;

(*b*) to increase or decrease the capital of the Bank;

(*c*) to liquidate the Bank.

CHAPTER VI. ACCOUNTS AND PROFITS

ART. 50. The financial year of the Bank will begin April 1 and end March 31. The first financial period will end on March 31, 1931.

ART. 51. The Bank shall publish an Annual Report, and at least once a month a Statement of Account in such form as the Board may prescribe.

The Board shall cause to be prepared a Profit and Loss Account and Balance Sheet of the Bank for each financial year in time for submission to the Annual General Meeting.

ART. 52. The Accounts and Balance Sheet shall be audited by independent auditors. The auditors shall have full power to examine all books and accounts of the Bank and to require full information as to all its transactions. The auditors shall report to the Board and to the General Meeting and shall state in their Report:

(*a*) whether or not they have obtained all the information and explanations they have required; and

(*b*) whether, in their opinion the Balance Sheet dealt with in the Report, is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of their information and the explanations given to them, and as shown by the books of the Bank.

ART. 53. The yearly net profits of the Bank shall be applied as follows:

(*a*) 5% of such net profits, or such proportion of 5% as may be required for the purpose, shall be paid to a reserve fund, called the Legal Reserve Fund until that fund reaches an amount equal in value to 10% of the amount of paid-up capital of the Bank for the time being;

(*b*) thereafter such net profits shall be applied in or toward the payment of dividends of 6% per annum on the amount of paid-up capital of the Bank. This dividend shall be cumulative;

(*c*) as to the residue (if any) of such net profits 20% shall be paid to the shareholders until a maximum further dividend of 6% (which shall be non-cumulative) is reached, provided that the Board may in any year withhold all or any part of this additional payment and place it to the credit of a special dividend reserve fund for use in maintaining the cumulative 6% dividend provided for in the preceding paragraph or for subsequent distribution to the shareholders;

(*d*) after making provision for the foregoing, one-half of the yearly net profits then remaining shall be paid into the General Reserve Fund of the Bank until it equals the paid-up capital. Thereafter 40% shall

be so applied until the General Reserve Fund equals twice the paid-up capital; 30% until it equals three times the paid-up capital; 20% until it equals four times the paid-up capital; 10% until it equals five times the paid-up capital; and from that point onward 5%.

In case the General Reserve Fund, by reason of losses or by reason of an increase in the paid-up capital, falls below the amounts provided for above after having once attained them, the appropriate proportion of the yearly net profits shall again be applied until the position is restored.

(*e*) As long as the Plan is in force any remainder of the net profits after meeting the foregoing requirements shall be disposed of as follows:

(i) as to 75% to such of the Governments or central banks of Germany and the countries entitled to share in the annuities payable under the Plan, as have maintained time deposits at the Bank subject to withdrawal in not less than five years from the time of deposit or after four years on not less than one year's notice. This sum shall be distributed annually in proportion to the size of the deposits maintained by the respective Governments or central banks in question. The Board shall have the power to determine the minimum deposit which would justify the distribution provided for;

(ii) as to 25% as follows:

If the German Government elects to make a long-term deposit with the Bank withdrawable only on the terms specified under subclause (i) above and amounting to the minimum sum of 400,000,000 Reichsmarks, the said 25% shall go into a Special Fund, to be used to aid Germany in paying the last 22 annuities provided for in the Plan.

If the German Government elects to make such long-term deposit amounting to a sum below 400,000,000 Reichsmarks, the participation of the German Government shall be reduced in proportion and the balance shall be added to the 75% referred to in subclause (i) above.

If the German Government elects not to make any such long-term deposit, the said 25% shall be distributed as provided in subclause (i) above.

The Special Fund referred to above shall carry compound interest, reckoned on an annual basis, at the maximum current rate paid by the Bank on time deposits.

If the Special Fund should exceed the amount required to pay the last 22 annuities, the balance shall be distributed among the Creditor Governments as provided for in the Plan.[1]

(*f*) At the expiration of the period referred to in the first paragraph of subclause (*e*) the disposal of the remainder of the net profits referred to in subclause (*e*) shall be determined by the General Meeting on the proposal of the Board.

[1] "The excess of the fund . . . will be divided among the creditor Governments in accordance with the arrangements to be concluded between them when the time comes." (No. 6 of arrangement between the creditor powers, *Agreements*, p. 144.)

Reserve Funds

ART. 54. The General Reserve Fund shall be available for meeting any losses incurred by the Bank. In case it is not adequate for this purpose, recourse may be had to the Legal Reserve Fund provided for in Art. 53 (*a*).

These reserve funds, in the event of liquidation, and after the discharge of the liabilities of the Bank and the costs of liquidation, shall be divided among the shareholders.[1]

CHAPTER VII. GENERAL PROVISIONS

ART. 55. The Bank may not be liquidated except by a three-fourths majority of the General Meeting. It shall not in any case be liquidated before it has discharged all the obligations which it has assumed under the Plan.

ART. 56. (1) If any dispute shall arise between the Bank, on the one side, and any central bank, financial institution or other bank referred to in the present Statutes, on the other side, or between the Bank and its shareholders, with regard to the interpretation or appli-

[1] Sec. X, Reserve Requirements, of Annex I of the Experts' Report reads:

"100. The Bank, since its deposits in part will be derived from central banks, shall be administered with particular regard to maintaining its liquidity. For this purpose the bank shall observe the following reserve requirements:

"101. (1) Deposits on Clearing Account. All funds held by the bank on clearing account, whether gold in vault or gold under earmark for the bank's account in central banks, shall be reserved for exclusive use in effecting settlements among the depositaries in the account.

"102. (2) Deposits Payable on Demand. Against such deposits the bank shall hold a minimum of 40% in gold or in devisen at their gold value. Devisen eligible as reserve against demand deposits shall consist of bank-notes; prime bills of exchange having not more than 90 days to run, of a character which central banks ordinarily buy for their own account; and checks payable on demand, drawn or indorsed by central banks, or in respect of which three obligees including a bank of known solvency are responsible. All devisen included in the foregoing classifications shall be denominated in currencies which satisfy, in the opinion of the Board of Directors, all the practical requirements of the gold or gold exchange standard. Gold in transit or devisen satisfying the foregoing requirements which are in process of collection may be counted as reserve.

"103. (3) Deposits on Investment Account (Time Deposits). Deposits payable in fifteen days or less shall be classified as demand deposits and be subject to the reserve requirements specified in the preceding paragraph. Against investment account deposits of longer maturity the bank shall hold a minimum of 25% in gold or in devisen at their gold value. Devisen eligible as reserve against investment account deposits shall meet the same requirements as those eligible as reserve against demand deposits.

"104. If the Board of Directors is of opinion that these reserve requirements should be altered, they shall have the right by a two-thirds vote to increase, diminish or otherwise modify them consistently with sound banking principles."

cation of the Statutes of the Bank, the same shall be referred for final decision to the tribunal provided for by the Hague Agreement of January, 1930.

(2) In the absence of agreement as to the terms of submission either party to a dispute under this article may refer the same to the tribunal, which shall have power to decide all questions (including the question of its own jurisdiction) even in default of appearance by the other party.

(3) Before giving a final decision and without prejudice to the questions at issue, the president of the tribunal, or, if he is unable to act in any case, a member of the tribunal to be designated by him forthwith, may, on the request of the first party applying therefor, order any appropriate provisional measures in order to safeguard the respective rights of the parties.

(4) The provisions of this article shall not prejudice the right of the parties to a dispute to refer the same by common consent to the president or a member of the tribunal as sole arbitrator.

ART. 57. In all cases not covered by the preceding article, or by some other provision for arbitration, the Bank may proceed or be proceeded against in any court of competent jurisdiction.

ART 58. For the purposes of these Statutes:

(1) Central bank means the bank in any country to which has been intrusted the duty of regulating the volume of currency and credit in that country; or, where a banking system has been so intrusted, the bank forming part of such system which is situated and operating in the principal financial market of that country.

(2) The Governor of a central bank means a person who, subject to the control of his board or other competent authority, has the direction of the policy and administration of the bank.

(3) A two-thirds majority of the Board means not less than two-thirds of the votes (whether given in person or by proxy) of the whole directorate.

ART. 59. Amendments of any articles of these Statutes other than those enumerated in Art. 60 may be proposed by a two-thirds majority of the Board to the General Meeting and if adopted by a majority of the General Meeting shall come into force, provided that such amendments are not inconsistent with the provisions of the articles enumerated in Art. 60.

ART. 60. Arts. 2, 3, 4, 9, 15, 20, 25, 28, 46, 53, 56, 59 and 60 can not be amended except subject to the following conditions: The amendment must be adopted by a two-thirds majority of the Board, approved by a majority of the General Meeting and sanctioned by a law supplementing the Charter of the Bank.

2. FORM OF TRUST AGREEMENT BETWEEN THE CREDITOR GOVERNMENTS AND THE BANK FOR INTERNATIONAL SETTLEMENTS[1]

Entered into this day of , 1930, between the Governments of , et cetera (hereinafter called the Creditor Governments), of the one part, and the Bank for International Settlements (hereinafter called Trustee), of the second part,

Witnesseth:

Whereas the Creditor Governments, in connection with the carrying out of the New Plan as defined in the Hague agreement of January, 1930 (hereinafter called the Plan), desire jointly to appoint the Bank for International Settlements their joint and sole trustee to receive, manage and distribute the annuities payable by Germany, and to perform other functions with respect thereto, all as provided by the Plan; and within the limits of the Statutes of the Bank.

Whereas the Bank for International Settlements has taken note of the provisions of the Plan and is prepared to accept the appointment as such trustee;

Therefore, it is agreed between the parties hereto that the description, the conditions and the limitations of the functions of the Trustee with respect thereto and of the relations, obligations and rights of the parties are those set forth as follows:

ARTICLE I. The Creditor Governments jointly appoint the Bank for International Settlements their joint and sole trustee for the purposes herein defined. The Bank accepts the appointment and agrees to carry out the trust on the conditions herein stated.

ART. II. The Trustee is empowered and agrees,

(*a*) To receive any balances transferred by the Agent General for Reparation Payments on the winding up of his accounts, subject to the rights of the different Creditor Governments in the distribution of such balances and to any claims and commitments thereon which may be outstanding at the time of transfer, all of which, as shown by the records of the Agent General for Reparation Payments, will be reported to the Trustee when the transfer is made;

[1] Annex VIII to the agreement with Germany of January 20, 1930, *Agreements*, p. 68; *Entwürfe zu den Gesetzen*, p. 156.

(*b*) To hold in safekeeping as trustee, until the same shall be duly discharged, the Certificate of Debt, with coupons attached, issued and delivered by the German Government pursuant to the terms of the Plan, the receipt of which the Trustee acknowledges and a copy of which is attached hereto as Exhibit A;

(*c*) To hold in safekeeping as trustee, until the same shall be duly discharged, the Certificate issued and delivered by the German Railway Company in acknowledgment of its liability, pursuant to the terms of the Plan, the receipt of which the Trustee acknowledges and a copy of which is attached hereto as Exhibit B;

(*d*) Commencing on , 1930, to receive in trust each month from the German Reich for the account of the Creditor Governments signatory hereto and for the account of the Trustees of the German external loan of 1924 all payments thereafter to be made by Germany under the Plan and the above mentioned Certificate of Debt, representing the service of the said loan or the payment of the sums attributable to the said Creditor Governments on account of the nonpostponable annuities and the postponable annuities as defined and specified in the Plan.

A certified Schedule stating the monthly and annual share during the whole period of the annuities of each Creditor Government signatory hereto in the nonpostponable and postponable portions and in the total of the German annuity is attached hereto as Exhibit C.

ART. III. Except during a period when the transfer of the postponable annuity is suspended, as provided for in Art. XI below, the Trustee will accept only currencies other than Reichsmarks in payment of the monthly instalments of the annuities payable by Germany, subject always to the proviso that the Trustee may accept Reichsmarks in each month of a given annuity year, for an amount equal to one-twelfth of the total of any current annual program for payments under delivery in kind and reparation recovery act procedures for the year in question.

In arranging for the receipt of currencies other than Reichsmarks, the Trustee, after having been notified of the requirements of the Creditor Governments, will inform the German Government and, at the same time, the Reichsbank, at least one month in advance of the due dates for payment, of its preferences relative to the currencies which it desires to have paid into its account. If these preferences are not complied with the Trustee is authorized to ac-

cept payment from Germany entirely in the currencies of the creditor countries whose nationals were members of the Committee of Experts and as nearly as may be in proportion to the respective shares of these countries, it being understood that payments in currencies other than Reichsmarks which are not based upon the gold or gold exchange standard will only be made with the consent of the Trustee.

The Trustee will give receipts to the German Government for all sums which it pays or causes to be paid both on account of the postponable and on account of the nonpostponable annuity. These receipts will show the currencies received as well as the equivalent value in Reichsmarks, with which the German Government will be credited.

At the end of each annuity year, when the Trustee has received from the German Government the sums due for that year, in accordance with the Plan, the Trustee shall surrender to the German Government the coupon of the certificate of the German Government which corresponds to the payments of the year in question.

The Trustee takes note of the undertaking given by the German Government that the Reichsmark shall have and shall retain its convertibility in gold or foreign exchange as provided in Sec. 31 of the Law of August 30, 1924, and that, in all circumstances, for the general purposes of the Plan, the Reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold, as defined in the German coinage law of August 30, 1924.

The sums paid in currencies other than Reichsmarks into the Annuity Trust Account shall be calculated in Reichsmarks, subject to the provisions of the above undertaking, at the average of the middle rates (*Mittelkurs*) prevailing on the Berlin Bourse during the period of 15 days preceding the date of payment.

The sums in Reichsmarks paid by the German Railway Company to the account of the Trustee at the Reichsbank under the terms of the above-mentioned Certificate of Liability delivered by that company, for an amount of fifty-five million Reichsmarks on the first day of each month in respect of the previous month, shall, until the due discharge of the certificate be placed each month at the disposal of the German Government by the Trustee as soon as they have been received, provided that the instalment of the Annuity payable by the German Government on the 15th day of the preceding month has been duly received.

ART. IV. All the sums transferred from the account of the Agent General for Reparations or paid on account of the German annuities shall be received into an Annuity Trust Account. All the sums paid by Germany on account of the annuities shall be managed by the Trustee and shall be employed and distributed each month upon receipt as follows, on the understanding that the obligations of the Trustee in regard to the said sums shall be only those normally incumbent upon a banker for the execution of a trust agreement, and in no case shall the Trustee permit the accounts or credits of any Creditor Government to be overdrawn.

(*a*) In the first place, the sums required monthly for the service of the German External Loan, 1924, shall be transferred to the account or order of the trustees of the said loan, in conformity with the terms of the General Bond securing it, on the understanding that this appropriation shall have priority over all others. This service constitutes a first charge, expressly provided for as such, on the German annuities, whether nonpostponable or postponable.

(*b*) One-twelfth of the share of each Creditor Government in the nonpostponable annuity shall be forthwith allocated in the books of the Trustee to that Government within the Annuity Trust Account in currencies other than Reichsmarks. If one of the Governments has mobilized a part of the nonpostponable annuity allotted to it, there shall be retained every month, out of the share due to that Government in virtue of the present paragraph, the sums required for the service of the obligations issued and outstanding, in conformity with the conditions of the contracts made on the occasion of such issues; these sums, deducted from the share of each of the Governments concerned in the issues, shall be transferred each month to a Trustee Account relating to the loan thus issued and shall remain there until the moment when payments have to be made for the interest service and amortization of the obligations, in accordance with the terms of the respective loan agreements.

(*c*) One-twelfth of the share due to each Government for settling the quota of deliveries in kind allotted to it in a given year shall be forthwith allocated in the books of the Trustee to that Government within the Annuity Trust Account in Reichsmarks, if no other provision has been made by the Governments concerned, including Germany, for the settlement of this quota.

(*d*) One-twelfth of the sum due to each Government in each Annuity, after the allocations provided in pars. (*b*) and (*c*), shall

be forthwith allocated in the books of the Trustee to that Government within the Annuity Trust Account in currencies other than Reichsmarks.

(*e*) In application of Art. 88[1] of the annexes to the Experts' Report of June 7, 1929 (hereinafter called the "Experts' Report"), the sums allocated as provided in the preceding paragraphs will remain without interest in the National Subdivisions of the Annuity Trust Account up to the equivalent of the following minimum amounts:

	Reichsmarks
France	68,037,500
Great Britain	26,587,500
Italy	13,887,500
Belgium	7,512,500
Rumania	1,312,500
Yugoslavia	5,462,500
Greece	450,000
Portugal	862,500
Japan	862,500
Poland	25,000
	125,000,000

All sums standing in the National Subdivisions of the Annuity Trust Account in excess of the above minimum non-interest-bearing deposits, may be freely withdrawn from the said account by the Creditor Governments, in accordance with the following paragraph.

(*f*) Subject to the foregoing, and in accordance with the provisions of the Plan, the Trustee is authorized and agrees to transfer at such dates as may be indicated any sum allocated to any Government within the Annuity Trust Account to any interest-bearing account in the Bank for International Settlements or to any other bank or banker, or otherwise to dispose of it as the interested Creditor Government may direct; but in no case will the Trustee

[1] The paragraph reads:

"88. (12) Out of the sums remaining in currencies other than Reichsmarks and after providing for any other charges called for under the Plan, the Directors of the Bank shall distribute such aggregate amounts as they may determine to the creditor countries, divided according to the propositions agreed upon among the respective Governments. In withholding any sums from distribution and in fixing the dates at which distribution is effected, the Directors of the Bank shall be guided on the one hand by the need for prompt action in the interest of the creditor countries and on the other by the interests of the Plan as a whole, including due consideration to the Bank by way of compensation for its services in managing the annuity."

permit the accounts or credits of any Creditor Government to be overdrawn.

ART. V. The Trustee shall not be bound to pay any interest on balances in the Annuity Trust Account.

ART. VI. Any exchange profit or loss arising from transactions carried out by the Trustee for account of Creditor Governments in connection with the management of the German annuities shall unless otherwise settled be credited or charged quarterly by the Trustee to the accounts of the Governments concerned, in proportion to their respective shares in the principal moneys involved, subject to the provisions of Art. IV.

ART. VII. The Trustee is authorized and agrees in connection with delivery in kind, reparation recovery act and other similar systems, to pay in Reichsmarks up to the amount of the monthly Reichsmark balances available to the respective Creditor Governments on checks, drafts or orders duly executed by the authorized representative of any such Creditor Government. The Creditor Governments respectively agree to keep the Trustee advised of the identity and authority of such representatives and to supply it with their specimen signatures.

ART. VIII. Payment by the Trustee in compliance with the documents referred to in the preceding article shall constitute full discharge to the Trustee for the Reichsmark payments made. Payments in currencies other than Reichsmarks made or transferred out of the Annuity Trust Account upon the order of a Creditor Government or effected under the authorizations contained in Art. IV above, shall constitute a full discharge to the Trustee for the payments made. In addition, as soon as possible after the close of each annuity year when the respective Creditor Governments shall have received the annual account and auditor's report referred to in Art. XVII hereof, the competent authority of each Creditor Government shall give the Trustee a final global quittance and release for the actual payments made, during the annuity year in question to or upon the order of the Creditor Government concerned, as disclosed by the said accounts.

ART. IX.[1] The Trustee declares that it has taken note that the German Government undertakes during the period up to March 31, 1966, to maintain at the Bank a non-interest-bearing deposit equivalent to 50% of the average deposit remaining in the Annuity Trust Account, but not exceeding 100 million Reichsmarks.

[1] The article repeats the undertaking of Art. VI of the Certificate of Indebtedness.

The Bank shall to this end certify to the German Government and to the Creditor Governments every month the average of the balances at the close of each working day left by the Creditor Governments on deposit without interest during that month, in respect of the sums arising from the German payments under the Dawes Plan or under the present Plan up to the time when they are drawn out by the Creditor Governments.

The first deposit will be paid by the German Government to the Bank 15 days after the coming into force of the New Plan, the amount of the deposit being calculated on the average of the daily balances above mentioned left with the Agent-General or the Bank during the month ending two working days prior to the date of deposit, excluding sums returnable to the German Government under Annex III of the Hague Protocol of August 31, 1929, or any supplementary arrangement.[1] The deposit shall be maintained at the amount so calculated during one month. At the end of this period the deposit will be adjusted by a further deposit or by the withdrawal of part of the existing deposit on the basis of the average of the daily balances referred to above during the month ending two working days before the date of the adjustment. A similar adjustment will take place at the end of the second month from the date of the first deposit. At the end of the third month, and thereafter at intervals of three months, the deposit shall be adjusted on the basis of the average of the daily balances referred to above during the three months ending two working days before the date of each such adjustment. The intervals referred to in this paragraph may be changed by agreement between the Governments concerned with the concurrence of the Trustee.

The Trustee will accept this deposit under the conditions set out in this article.

ART. X. The Trustee declares that it has taken note of the provisions of the Plan with respect to the functions assigned to the Bank of International Settlements in connection with any declaration of the German Government requiring the convening of the Special Advisory Committee, and the Trustee agrees and the Creditor Governments confirm that the Trustee shall carry out

[1] By the arrangements referred to, surpluses of Dawes Plan receipts over New Plan requirements were invested by the Agent-General from September 1, 1929, until the formal entrance into force of the New Plan in Germany treasury bills (*Reichsschatzanweisungen*). The nominal amount so invested on February 28, 1930, was 224,900,000 Reichsmarks. The supplementary arrangement referred to is a transitory provision printed in *Agreements*, p. 141; *Entwürfe zu den Gesetzen*, p. 308.

the functions assigned it in that respect and in the manner described in the Plan.[1]

The Trustee takes note that, in application of Art. 124 of the Experts' Report, any recommendation of the Advisory Committee affecting the rights of the Creditor Governments shall not bind those Governments unless it is accepted and confirmed by the Creditor Governments which participated in the decision of September 16, 1928, to set up the Committee of Experts; and that similarly any recommendation affecting the rights of the German Government shall not bind that Government unless it is accepted and confirmed by that Government.

ART. XI. Immediately on receiving from the German Government in conformity with the Plan notification of suspension of transfer of the whole or part of the postponable annuity the Trustee shall inform the Creditor Governments accordingly.

(*a*) As soon as this suspension becomes effective:

(1) The Trustee shall continue to transfer each month the sums necessary for assuring the service of the external loan of 1924 in accordance with par. *a*, Art. IV of this contract;

(2) The Trustee shall continue to credit or transfer each month in accordance with the provisions of par. *b*, Art. IV, of this contract the sums paid by the German Government in respect to the nonpostponable annuity;

(3) In the event of a partial postponement, in any year, of transfer or of payment of the postponable annuities, the Trustee shall distribute the part of the postponable annuities actually paid and transferred in that year in such a manner as to insure, so far as may be possible, that the receipts of the several Creditor Governments out of the aggregate payments actually transferred by Germany (whether on account of the unconditional or of the postponable annuities) shall be proportionate to their respective shares in the total annuities due by Germany under the Plan in respect of that year, provided always that the Creditor Governments entitled to an allocation out of the unconditional annuities shall in no case receive less than the allocations due to them respectively out of those annuities;

(4) Should the amount of the postponable annuities paid and transferred by Germany be insufficient to provide in full to each of the Creditor Governments its due share of the total German payments transferred, having regard to the allocations out of

[1] See Report, par. 119 *ff.*

the unconditional annuity referred to in the previous paragraph, the Trustee shall, in accordance with the provisions of par. 202 of the Annexes to the Experts' Report[1] withdraw from the Guaranty Fund, to be constituted by the French Government, the sums necessary to make up the deficiency to each of the Creditor Governments concerned. The sums so withdrawn from the Guaranty Fund shall be repaid to that fund in accordance with the Plan at the end of the period of postponement.

(*b*) During the course of a partial or total postponement of transfer the Trustee may accept from Germany payments in Reichsmarks in respect of the amounts of which transfer has been postponed and of which payment has not been postponed under the Plan. The Trustee is authorized to give to the German Government receipts for such payments which will be in the nature of temporary acknowledgments. These acknowledgments will be converted into final receipts *pro tanto* on the transfer of the amounts postponed, or on the utilization of the Reichsmarks accepted by the Trustee under this paragraph for payments in respect of deliveries in kind or in respect of reparation recovery acts and similar procedures under the special programs referred to in Annex IV of the Experts' Report.[2]

(*c*) Any sums accepted in Reichsmarks by the Trustee under par. (*b*) above will be distributed in the form of credits in the Trustee's books in such a way as to complete the credits due to each Creditor Government for the year in question under the Plan, and the Guaranty Fund in so far as it has been drawn upon. These Reichsmarks will be administered by the Trustee in the manner provided in the Plan.

(*d*) The parties to this contract agree that all investments of such Reichsmark funds effected by the Trustee shall be made for the individual account of the Creditor Governments, as their interests require, for their advantage and at their risk. In particular the proceeds of investment of Reichsmarks credited to the Guaranty Fund will be assigned to the French Government.

ART. XII. The Creditor Governments and the Trustee agree that the Trustee shall have exclusive authority to act as agent of the Creditor Governments or any one of them, so far as concerns the operations relating to the mobilization of the German annuities, and that in the discharge of the functions and in the use of the

[1] See p. 188.

[2] See for final form, p. 191, as enacted in the Hague protocol.

authority intrusted to it as agent in this matter the Trustee will be guided by the provisions of the Plan which govern mobilization. In particular, the Trustee will abide by the following provisions:

(*a*) When it appears to the Trustee practically possible to proceed with an issue of bonds representing the capitalization of a part of the Annuity, the Trustee will inform the Creditor Governments. The possibility of proceeding with such an operation shall also be considered by the Trustee whenever so required by one or more of the Creditor Governments.

If after examination, and in cases other than that dealt with in the second part of par. (*b*) below, the Trustee considers such an operation inopportune, it shall indicate to the Governments concerned the reasons for this opinion.

(*b*) If one or more of the Governments concerned intend themselves to proceed in their own markets with an issue, the Trustee shall fix the minimum conditions of issue at the time of the operation.

If, however, such an operation is intended in connection with internal conversion operations, the Government concerned will be free to offer the bonds on its own market on whatever conditions it may be able to obtain, without its being necessary for the Trustee to consider whether the creation of the bonds is opportune, and on the understanding that the bonds will only be quoted on the market of issue.

(*c*) If one or more of the Governments concerned propose an international issue on other markets than their own respective markets, the Trustee shall at their request, if it considers on examination that conditions on these markets permit such an operation, take steps to proceed with this issue and determine, after making sure that the Central Banks concerned have no objection, the markets on which such offers may be made.

In the case of such issues, the various Governments having a share not yet mobilized in the nonpostponable portion of the Annuity shall be given the right to participate in proportion to the following figures: France 500, Great Britain 84, Italy 42, Japan 6.6, Yugoslavia 6, Portugal 2.4.

No issue of an international character may however be made in the market of any of the countries the Government of which has signed this Trust Agreement without the approval of that Government both as regards the amount of the issue and as regards the conditions on which it shall be authorized.

(*d*) If it is decided to proceed with an issue and if one or more of the Creditor Governments so request, the Trustee shall arrange,

in agreement with those Governments and with the Issuing Bankers, the detailed conditions on which the bonds shall be issued.

(*e*) The Trustee shall apply to the German Government, as provided in the Plan, for the creation of issuable bonds.

(*f*) The Trustee declares its willingness to act as trustee or representative of the bondholders, or as agent for all issues of bonds made in pursuance of the provisions of the Plan relative to mobilization, to the extent provided in the loan contract to be concluded between the Trustee and the Governments concerned on the occasion of an issue of such obligations.

(*g*) The expenses and commissions to be received by the Trustee both for the creation of bonds and for their issue shall be determined between the Trustee and the Governments concerned with regard to the importance of the functions which may be attributed to it on the occasion of each operation.

ART. XIII. The Trustee will credit to a special Trust Account the deposits which the French Government has undertaken to make, in the circumstances contemplated in the Plan, up to an amount of 500,000,000 Reichsmarks, in currencies other than Reichsmarks based upon the gold or gold exchange standard.

The Trustee undertakes to administer these funds in such a way that the sums deposited shall be available in currencies other than Reichsmarks, based upon the gold or gold exchange standard, in order to equalize the short payments to the other creditors during a period of transfer postponement.

Subject to the provisions of Art. XI (*c*) and (*d*), the Trustee will pay interest to the French Government, at the maximum current rate paid for long-term deposits, on the amount standing in this account in currencies other than Reichsmarks.

If it is agreed that this deposit shall remain for more than five years, the French Government shall be entitled to participate in the profits of the Bank in respect of this deposit on the terms laid down in Art. 53, (e) and (i), of its Statutes. It shall be restored to the French Government in the circumstances contemplated in the plan.

ART. XIV. If the German Government elects to make the long-term deposit up to 400,000,000 Reichsmarks provided for in the Plan, the Trustee agrees to receive and administer this deposit and to take the consequent measures for allocation and utilization of its profits according to the provision of Art. 53, (*e*) of the Statutes of the Bank.

ART. XV. In addition to making disbursements and keeping accounts in connection with deliveries in kind, reparation recovery

acts and other similar systems as above provided, the Trustee declares that it takes note of the arrangements regarding deliveries in kind and reparation recovery acts contained in the relevant annexes to the Hague agreement of January, 1930, and agrees to observe the same as far as lies within its province and powers as a bank as set forth in the Statutes.

ART. XVI. The Trustee is authorized and agrees with respect to the assigned revenues of the Reich to exercise the discretions referred to in Sect. 3 of Annex III of the Experts' Report.[1]

ART. XVII. The Trustee shall furnish to each Creditor Government at the close of each month an account showing all the receipts and payments of the Trustee during that period in respect of the annuity received from Germany. The Trustee shall also furnish to each Creditor Government as soon as may be after March 31 in the year 1931, and every succeeding year, a copy of the account as approved by the auditors of the Bank for International Settlements of all its operations in respect of the whole of the German annuities, including the service of the German external loan of 1924, since the close of the last preceding yearly account, or, in the case of the first account since the commencement of operations of the Bank, and of any report that may be made by the auditors on such accounts. The Bank shall also furnish to each creditor Government a copy of its Annual General Report as soon as published.

ART. XVIII. From the date of coming into force of the present contract until its completion, the Creditor Governments, in addition to maintaining the deposits referred to in Art. IV (*e*), agree to pay to the Trustee a commission of 1 per mille on the actual payments received from the German Government on their behalf, in respect of the remuneration provided in Art. 84 of the Annexes to the Experts' Report.

This payment will form a prior charge in favor of the Trustee, in accordance with the Plan, on the sums received by it on behalf of the Creditor Governments within the Annuity Trust Account.

The provisions of this article will remain in force failing any new arrangement; such new arrangement may be made at the end of the first or of any one of the first five financial years, at the request of one of the signatory powers or of the Trustee.

ART. XIX. The Trustee is authorized and agrees to notify forthwith to the Creditor Governments any difficulty which may arise

[1] *Cf.* for substance, Art. XVI, *supra.*

between it and the German Government relative to the interpretation or the application of the Plan.

ART. XX. The Creditor Governments and the Trustee agree that, if any dispute shall arise between them or any of them with regard to the meaning or application of the provisions of this Trust Agreement, the dispute shall be referred for final decision to the Tribunal provided for by the Hague agreement of January, 1930, unless the parties to the dispute shall elect to refer the same to the president of the Tribunal, or a member thereof, selected as sole arbiter.

ART. XXI. The present Contract shall come into force between the Trustee and the Creditor Governments whose representatives have signed it as soon as the Plan has been put into application and this Contract has been signed on behalf of the Trustee and of four of the following powers: Belgium, France, Great Britain, Italy and Japan.

The French text is alone authentic.

[Exhibit A] Debt Certificate of the German Government[1]

I. The German Government, by this present certificate, undertakes a solemn engagement subject to the stipulations of the New Plan as defined by Art. I of the agreement of The Hague of January, 1930, to pay to the Bank for International Settlements as Trustee for the Creditor Powers, and not to any other agent nor by way of direct payment to any one of its creditors, and in conformity with the following provisions, the annuities set out in the following table plus the sums required for the service of the German External Loan 1924 as provided in the General Bond dated October 10, 1924.[2] The annuities set out in the table [3] shall be paid by equal monthly instalments on the 15th of each month and if the 15th is not a working day then on the working day next following.

	Millions of Reichsmarks
Sept. 1, 1929–March 31, 1930	676.9
April 1, 1930–March 31, 1931	1,641.6
April 1, 1931–March 31, 1932	1,618.9
April 1, 1932–March 31, 1933	1,672.1
April 1, 1933–March 31, 1934	1,744.9
April 1, 1934–March 31, 1935	1,807.5
April 1, 1935–March 31, 1936	1,833.5
April 1, 1936–March 31, 1937	1,880.3

[1] Annex III to the agreement of January 20, 1930, *Agreements*, p. 31.

[2] Reparation Commission, *Official Documents*, XIV, p. 318.

[3] This table differs from the schedules in pars. 86 and 87 of the Report in that the quota of the United States there included has been here subtracted.

	Millions of Reichsmarks
April 1, 1937–March 31, 1938	1,919.8
April 1, 1938–March 31, 1939	1,938.1
April 1, 1939–March 31, 1940	1,983.4
April 1, 1940–March 31, 1941	2,096.1
April 1, 1941–March 31, 1942	2,114.6
April 1, 1942–March 31, 1943	2,131.9
April 1, 1943–March 31, 1944	2,128.2
April 1, 1944–March 31, 1945	2,141.4
April 1, 1945–March 31, 1946	2,137.7
April 1, 1946–March 31, 1947	2,133.4
April 1, 1947–March 31, 1948	2,149.1
April 1, 1948–March 31, 1949	2,143.9
April 1, 1949–March 31, 1950	2,240.7
April 1, 1950–March 31, 1951	2,283.1
April 1, 1951–March 31, 1952	2,267.1
April 1, 1952–March 31, 1953	2,270.1
April 1, 1953–March 31, 1954	2,277.2
April 1, 1954–March 31, 1955	2,288.5
April 1, 1955–March 31, 1956	2,283.7
April 1, 1956–March 31, 1957	2,278.1
April 1, 1957–March 31, 1958	2,285.7
April 1, 1958–March 31, 1959	2,317.7
April 1, 1959–March 31, 1960	2,294.5
April 1, 1960–March 31, 1961	2,304.4
April 1, 1961–March 31, 1962	2,322.2
April 1, 1962–March 31, 1963	2,314.1
April 1, 1963–March 31, 1964	2,326.5
April 1, 1964–March 31, 1965	2,326.0
April 1, 1965–March 31, 1966	2,352.7
April 1, 1966–March 31, 1967	1,566.9
April 1, 1967–March 31, 1968	1,566.1
April 1, 1968–March 31, 1969	1,575.9
April 1, 1969–March 31, 1970	1,589.2
April 1, 1970–March 31, 1971	1,602.9
April 1, 1971–March 31, 1972	1,613.1
April 1, 1972–March 31, 1973	1,621.5
April 1, 1973–March 31, 1974	1,624.9
April 1, 1974–March 31, 1975	1,627.6
April 1, 1975–March 31, 1976	1,634.2
April 1, 1976–March 31, 1977	1,637.9
April 1, 1977–March 31, 1978	1,644.6
April 1, 1978–March 31, 1979	1,654.7
April 1, 1979–March 31, 1980	1,659.6
April 1, 1980–March 31, 1981	1,670.5
April 1, 1981–March 31, 1982	1,687.6
April 1, 1982–March 31, 1983	1,691.8
April 1, 1983–March 31, 1984	1,703.3
April 1, 1984–March 31, 1985	1,683.5
April 1, 1985–March 31, 1986	925.1
April 1, 1986–March 31, 1987	931.4
April 1, 1987–March 31, 1988	897.8

The service of the German External Loan, 1924, shall constitute a part of the Annuities payable during the respective Annuity years until said loan is fully redeemed, and the amount required for the service of the loan in each Annuity year as determined by the Trustees

of said loan shall be added to the amounts specified in the foregoing table in determining the aggregate sum of each Annuity payable thereunder. The annual amounts payable for the service of the loan shall be treated as payments on account of the nonpostponable portion of the respective annuities and shall be transferred when received to the credit of the Trustees for the German External Loan, 1924.

II. [Secs. 1–3, 4, par. 1, 5 and 6 of this article state the conditions set forth in the Trust Agreement, Art. III, pars. 1–3, 5–6.]

4, par. 2. The Bank's receipt giving credit in Reichsmarks for payments made to the Bank for International Settlements by the German Government or on its behalf for the execution of the New Plan, shall during the normal operation of the New Plan constitute a complete and sufficient discharge of the obligations of the German Government with respect to such payments.

Should, however, transfer postponement be in whole or partial effect, the Bank's receipt giving credit in Reichsmarks shall constitute a complete and sufficient discharge of the obligations of the German Government with respect to all payments into the Annuity Trust Account made in foreign exchange and with respect to such portions of the payments made in Reichsmarks as in the opinion of the Bank provide current funds for deliveries in kind or services. As to the remainder, the receipt of the Bank shall be in the nature of a temporary acknowledgment only.

III. 1. To this certificate are attached coupons representing each the whole of one annuity payable, after deduction of the amounts required for the service of the German External Loan, 1924; each coupon is divided into two parts — Part A represents that part of the annuity which is mobilizable and nonpostponable; Part B the postponable portion of each annuity. Each part of the annuity coupon enjoys absolutely equal rights throughout except with regard to the possibility of postponement hereinafter provided for.[1]

2. The Bank shall distribute moneys in payment of the mobilized or mobilizable portions of the annuity coupon among the whole of the bondholders and the creditor Governments in proportion to the rights of each to share in the portion of the annuity coupons not subject to postponement, without allowing a priority of any kind to any tranche or to any claim. It will distribute the moneys relating to the nonmobilizable portions of the annuity coupons among the creditor Governments, the transfer of these moneys taking place only after the transfer of the moneys relating to the mobilized or mobilizable portion of the annuity coupon.[2]

IV. 1. The service of interest and amortization of the mobilizable or mobilized portions of the annuity coupons shall be paid to the Bank in currencies other than the Reichsmark by the German Reich without

[1] Repeats Report, Annex III, I (par. 124).

[2] Repeats Report, Annex III, VII (*b*) (par. 142).

any reservation, *i.e.*, on its own responsibility. The financial service of these mobilizable or mobilized portions of the annuities shall constitute a final and unconditional international obligation in the ordinary financial sense of the word.[1]

2. Furthermore, upon the request of the Bank for International Settlements, acting as trustee of the Creditor Powers, if and in so far as the Bank considers such a course opportune, Germany undertakes to substitute for Part A of the coupons issuable bonds bearing its name, representing, on the same conditions as this certificate and the said coupons, an obligation of the Reich. The amount and form of these bonds and the specifications of the currency in which they shall be issued shall be fixed by the Bank.

3. If any one or more of the Creditor States should intend to utilize internal issues of German bonds in connection with operations for the conversion of national debt, such bonds shall be quoted only on their market of issue.[2]

4. If and in so far as Germany shall redeem reparation loans (general or conversion loans) which can be redeemed before their due date according to the issue conditions, the part of the annuity destined for the service of the loan so redeemed will accrue to Germany. It is understood that the Bank will, as far as possible, make every effort to secure that loans will not be issued without granting to Germany an appropriate right of anticipated redemption.

5. Germany shall have the right to redeem all or part of the not yet mobilized annuities (Parts A and B of the coupons) on a basis of 5½% discount.

V.[3] 1. The payment of the nonmobilizable portion of the annuity coupons shall be made to the Bank for International Settlements by the German Government in the same conditions as that of the mobilized or mobilizable portion of the annuity coupons.

2. Nevertheless,

(*a*) Bonds representing the nonmobilizable portion of the annuity coupons can not be created except with the consent of the German Government.

(*b*) It is in respect of the nonmobilizable portion of the annuity coupons that the German Government may avail itself of the right of postponing transfer or payment on the following conditions.

3. The German Government, by giving at least 90 days' previous notice, shall have the right to suspend for a maximum period of two years from its due date all or part of the transfer of the postponable part of the annuity. Transfer postponement thus declared shall affect the postponable annuity as and from that date on which transfer postponement becomes effective.

[1] Repeats Report, Annex III, V (par. 137).

[2] Repeated in Trust Agreement, Art. XII (*b*).

[3] Pars. 1–8 repeat Report, Annex III, VI (pars. 139–140) and Annex IV, 1, 3–5 (pars. 147, 148, 150–154).

4. If, during any annuity year, the German Government shall avail itself of this power, the transfers falling due during any second year can not be postponed for more than one year from their respective due dates, unless and until the transfers due during the first year shall have been effected in full, in which case the transfers due during such second year may be postponed two years from their respective due dates; and the transfers due during any third year can not be postponed at all until the transfers due during the first year have been effected in full.

5. At any time when postponement of transfer is in effect but not until one year after it has become effective, the German Government shall have the right to postpone payment for one year of 50% of any sum the transfer of which shall then be susceptible of postponement under the conditions stated above. This percentage may be increased upon the recommendation of the Advisory Committee provided for in Part 8 (*e*) of the Report of the Experts of 1929.

6. Any sum in Reichsmarks the transfer of which is postponed shall be deposited to the account of the Bank for International Settlements at the Reichsbank for eventual release of balances not absorbed by deliveries in kind, against payments in foreign currencies by the German Government. At all times the employment, whether for investment or for deliveries in kind, of Reichsmarks so deposited shall be subject to agreement between the Reichsbank and the Bank for International Settlements.

7. In settling the way in which these sums are to be employed account shall be taken of the possibility of establishing special programs in conformity with the procedure, provision for which is made in Appendix 1 to Annex II to the Hague Protocol of August 31, 1929.[1]

8. Interest at the rate of 1% per annum above the prevailing Reichsbank discount rate, or 5½%, whichever is lower, shall be paid half-yearly by the German Government on the daily amount of the sums the transfer or payment of which has been postponed and which have not been invested or utilized for deliveries in kind. This interest shall be treated in all respects similarly to the principal sum upon which it accrues, and the return upon that portion of the funds actually invested shall be for the account of the Creditor Powers.

9. At the end of any period in respect of which a total or partial postponement of transfer or payment has been declared for any monthly instalment, the instalment or part thereof the transfer or payment of which has been so postponed shall become immediately payable to the Bank for International Settlements in foreign currencies, with the exception of any amounts of which the Creditor Powers have already had the benefit in some other form in pursuance of the New Plan. This clause modifies in no way the functions of the Special Advisory Committee provided for in the New Plan.

[1] See page 191.

10. In the event of any declaration of postponement made by Germany or at any other time when the German Government declares to the Creditor Governments and to the Bank for International Settlements, that it has come to the conclusion in good faith that Germany's exchange and economic life may be seriously endangered by the transfer in part or in full of the postponable portion of the annuities, the Bank for International Settlements shall convene the Special Advisory Committee mentioned in Chapter 8 (*e*) of the Experts' Plan of June 7, 1929.

The Special Advisory Committee shall forthwith consider the situation in all its aspects, as provided in the Plan, and shall indicate for consideration by the Governments and the Bank what, in their opinion, are the measures that should be taken in regard to the application of the Plan. In application of Art. 124 of the Report of the Experts of June 7, 1929, any recommendation of the committee affecting the rights of the Creditor Governments shall not bind the Creditor Governments unless it is accepted and confirmed by the Creditor Governments who participated in the decision of September 16, 1928, to set up the Committee of Experts. Similarly, any recommendation affecting the rights of the German Government shall not bind the German Government unless it is accepted and confirmed by that Government.

VI. [The declaration textually repeated in the Form of Trust Agreement, Art. IX, p. 225.]

VII. As a collateral guaranty the German Government, without prejudice to its general liability for payment of the annuities and its complete freedom to make these payments out of its general revenues and without prejudice to the securities for the German External Loan, 1924, assigns, in pursuance of the provisions of the relative Annex [XI] of the agreement of The Hague of January, 1930, the proceeds of the customs, tobacco, beer and alcohol (monopoly administration) duties to the service of the present certificate, including the service of any bonds which may be issued in accordance with the New Plan.

The proceeds of the annual direct tax of 660,000,000 Reichsmarks payable by the German Railway Company are also assigned as a collateral guaranty to the service of the annuities. The amounts of the obligation of the German Railway Company will be paid in accordance with the Certificate of Debt of that company on the first day of each month, and if the full amount of the previous monthly payment due by the German Government has been paid, the amounts so paid by the German Railway Company will be transferred, immediately on their receipt, to the German Government.

VIII. The obligation of the German Government in relation to the annuities for which this certificate provides shall not be deemed to have been fulfilled until all sums, the transfer or payment of which may from time to time have been suspended, have been either in fact completely transferred to the Bank for International Settlements in

the shape of approved currency other than the Reichsmark or employed for deliveries in kind.[1]

IX. At the end of each annuity period, when the Bank for International Settlements has received from the German Government the amounts due under this present certificate, the Bank will return to the Government the coupon corresponding to the payments of that annuity period.[2] The certificate itself will be delivered when all the coupons have been paid.

X. The foregoing provisions shall not be deemed to affect the provisions of the New Plan, which are not dealt with in this certificate.

[1] Enacts Report, Annex IV, 2 (par. 149).

[2] *Cf.* Trust Agreement, Art. III, par. 4.

III. INTERGOVERNMENTAL INDEBTEDNESS

1. ARRANGEMENT RELATING TO THE CONCURRENT MEMORANDUM ACCOMPANYING THE EXPERTS' PLAN OF JUNE 7, 1929 [1]

The duly authorized representatives of the Governments of Belgium, France, Great Britain and Northern Ireland, Greece, Italy, Portugal, Rumania and Yugoslavia have agreed with the German Government as follows:

(1) The creditor powers undertake that Germany shall on the conditions contained in the Annex hereto (which is a reproduction of the "Concurrent Memorandum" attached to the Report of the Experts' Committee of June 7, 1929) have the benefit of any relief which any one or more of these powers may receive in respect of its net outward payments on account of War Debts. The War Debts referred to in this clause are those dealt with by the following agreements:

Interallied debts which have been taken into consideration in calculating the annuities according to the Young Plan

(1) *To the United States of America* [2]

Great Britain: Agreement of June 18, 1923,
France: Agreement of April 29, 1926,
Italy: Agreement of November 14, 1925,
Belgium: Agreement of August 18, 1925,
Yugoslavia: Agreement of May 3, 1926,
Rumania: Agreement of December 4, 1925,
Greece: Agreement of January 18, 1928.

[1] Document 7 of the Hague Final Act, *Agreements concluded at the Hague Conference January, 1930*, p. 129 (Misc. No. 4 (1930), Cmd. 3484; *Entwürfe zu den Gesetzen über die Haager Konferenz*, p. 248.

[2] The texts of the agreements are in *Combined Annual Reports of the World War Foreign Debt Commission:* Great Britain, p. 106; France, p. 257; Italy, p. 222; Belgium, p. 171; Yugoslavia, p. 280; Rumania, p. 244; Greece, Public Act 747, approved February 14, 1929.

(2) *To Great Britain* [1]

France: Agreement of July 12, 1926,
Italy: Agreement of January 27, 1926,
Rumania: Agreement of October 19, 1925,
Yugoslavia: Agreement of August 9, 1927,
Portugal: Agreement of December 31, 1926,
Greece: Agreement of April 9, 1927.

(3) *To France*

Rumania: Agreement of January 17, 1930,
Yugoslavia: Agreement of January 20, 1930 (dealing with the War Debt),
Greece: Agreement of January 20, 1930 (provisions relating to the prearmistice debt — Tranche A).

(2) Any dispute between the contracting parties as to the interpretation or application of the agreement shall be submitted for final decision to the Tribunal established by the Agreement with Germany concluded at The Hague in January, 1930.

(3) This arrangement, of which the English and French texts are equally authentic, shall be ratified, and shall go into force for each Government after ratification by it, at the same time as the agreement with Germany for the complete and final settlement of the question of reparations concluded on this same day at The Hague goes into force.

Done at The Hague this 20th day of January, 1930.

Curtius.	N. Politis.
Wirth.	J. G. Politis.
Schmidt.	A. Mosconi.
Moldenhauer.	A. Pirelli.
Henri Jaspar.	Suvich.
Paul Hymans.	G. G. Mironesco.
E. Francqui.	J. Lugosiano.
Henri Ch[E]ron.	Al. Zeuceano.
Loucheur.	Dr. V. Marinkovich.
Philip Snowden.	Const. Fotich.

[1] The texts of the agreements are published in British Parliamentary Papers, France, Cmd. 2692; Italy, Cmd. 2580; Yugoslavia, League of Nations, *Treaty Series*, LXIX, p. 256; Portugal, Cmd. 2791 and *Treaty Series*, LXI, p. 115; Greece, Cmd. 2848 and *Treaty Series*, LXVII, p. 218; Rumania, *L'Europe nouvelle*, July 30, 1927.

Annex

[Concurrent Memorandum but not a Part of the Report]

Special Memorandum of the Experts of the Principal Creditor Powers and of Germany regarding Out-Payments.

(Signed concurrently with the Report of the Committee of Experts)

1. In the annuities provided in the report, the following amounts are required to cover out-payments:

(Equivalent in millions of Reichsmarks)

2	965.1	31	1,515.4
3	942.3	32	1,525.4
4	995.4	33	1,543.2
5	1,136.4	34	1,535.0
6	1,199.0	35	1,547.4
7	1,224.9	36	1,546.8
8	1,271.8	37	1,573.7
9	1,334.0	38	1,566.9
10	1,352.5	39	1,566.1
11	1,375.0	40	1,575.9
12	1,487.6	41	1,589.2
13	1,437.9	42	1,602.9
14	1,455.1	43	1,613.1
15	1,451.5	44	1,621.5
16	1,464.7	45	1,624.9
17	1,460.9	46	1,627.6
18	1,456.5	47	1,634.2
19	1,472.3	48	1,637.9
20	1,467.1	49	1,644.6
21	1,461.6	50	1,654.7
22	1,503.9	51	1,659.6
23	1,487.9	52	1,670.5
24	1,491.0	53	1,687.6
25	1,498.1	54	1,691.8
26	1,509.4	55	1,703.3
27	1,504.5	56	1,683.5
28	1,499.1	57	925.1
29	1,506.7	58	931.4
30	1,538.6	59	897.8

It is represented that in the event of modifications of those obligations for out-payments, by which the creditors benefit, there should be some corresponding mitigation of the German annuities. The Experts of the four chief creditor countries and of Germany, therefore, recommend that Germany and all the creditor Governments having obligations for out-payments should undertake between themselves an arrangement on the following basis:

2. Any relief which any creditor power may effectively receive, in respect of its net outward payments on account of War Debts, after making due allowance for any material or financial counter-considerations, and after taking into account any remissions on account of war debt receipts, which it may itself make, shall be dealt with as follows:

As regards the first 37 years:

(*a*) Germany shall benefit to the extent of two-thirds of the net relief available by way of a reduction in her annuity obligations thereafter.

(*b*) One-third of the net relief shall be retained by the creditor concerned, in addition to the amounts otherwise receivable from Germany.

(*c*) Nevertheless, so long as any liability of Germany persists in respect of the period after the 31st March, 1966, the creditor concerned will retain annually only one-fourth part of the net relief, the balance being paid to the Bank for International Settlements.

(*d*) These payments to the Bank for International Settlements shall accumulate to assist Germany toward meeting her liabilities in respect of the period after the 31st March, 1966; any sums found after application of the funds provided in Annex 1 not to be required for this purpose (together with the accumulations thereon) shall be returned to the creditor by whom they were provided.

As regards the last 22 years:

The whole of such relief shall be applied to the reduction of Germany's liabilities.

3. We recommend that the creditor Governments should agree that, if the operation of the relief to Germany envisaged in respect of a possible reduction of net out-payments is such as to change materially the proportions in which the total annuities provided for in the present plan are divided among them, they meet to consider a revision tending toward the restoration of the present proportions;

but having regard to the following conditions set out below and any other relevant factors then existing:

(*a*) The service of any bonds mobilized by the creditor country, and the balance of its net outward payments in respect of War Debts remaining to be covered must continue to be met out of the share falling to it in the annuities thereafter to be paid by Germany.

(*b*) Due allowance shall be made for any material or financial counter-considerations accepted by the creditor country in connection with the relief accorded to it in respect of War Debts payments.

4. It was originally suggested that the amounts of the postponable annuities should be regulated by reference to the net amounts which the various creditors were themselves able to postpone in respect of inter-Allied War Debts, the general conditions therein governing postponements to be applied. For various reasons this method of calculation could not be adopted, but endeavor was made to adapt the moratorium provisions in such a way that the rights granted to Germany should not be greater than those of the creditor powers. The unconditional part of the annuity has, therefore, been fixed, while guaranties have been provided for the remainder.

FRANCQUI.	KASTL.
GUTT.	J. C. STAMP.
E. MOREAU.	C. S. ADDIS.
J. PARMENTIER.	A. PIRELLI.
Dr. HJALMAR SCHACHT.	SUVICH.

PARIS, June 7, 1929.

2. AGREEMENT BETWEEN GERMANY AND THE UNITED STATES[1]

Agreement

Made the day of , 19 , at the City of Washington, District of Columbia, between the Government of the German Reich, hereinafter called Germany, party of the first part, and the Government of the United States of America, hereinafter called the United States, party of the second part.

[1] Reprinted from *Entwürfe zu den Gesetzen*, Vierter Teil; subsequently it was published with a message of President Hoover to the Congress and covering letter by the Secretary of the Treasury in Sen. Doc. No. 95, 71st Cong., 2d sess.

Whereas, Germany is obligated under the provisions of the armistice convention signed November 11, 1918, and of the treaty signed at Berlin, August 25, 1921, to pay to the United States the awards, and interest thereon, entered and to be entered in favor of the United States Government and its nationals by the Mixed Claims Commission, United States and Germany, established in pursuance of the agreement of August 10, 1922;

Whereas, the United States is also entitled to be reimbursed for the costs of its army of occupation; and

Whereas, Germany having made and the United States having received payments in part satisfaction on account of these two obligations desire to make arrangements for the complete and final discharge of said obligations;

Now, therefore, in consideration of the premises and the mutual covenants herein contained, it is agreed as follows:

1. Amounts to be Paid —

(*a*) Germany shall pay and the United States shall accept in full satisfaction of all of Germany's obligations remaining on account of awards, including interest thereon, entered and to be entered by the Mixed Claims Commission, United States and Germany, the sum of 40,800,000 Reichsmarks for the period of September 1, 1929, to March 31, 1930, and the sum of 40,800,000 Reichsmarks per annum from April 1, 1930, to March 31, 1981. As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, the first of which shall be in the principal amount of 40,800,000 Reichsmarks, dated September 1, 1929, and maturing March 31, 1930, and each of the others of which shall be in the principal amount of 20,400,000 Reichsmarks, dated September 1, 1929, and maturing serially on September 30, 1930, and on each succeeding March 31 and September 30 up to and including March 31, 1981. The obligations of Germany hereinabove set forth in this paragraph shall cease as soon as all of the payments contemplated by the Settlement of War Claims Act of 1928 have been completed and the bonds not then matured evidencing such obligations shall be canceled and returned to Germany.

(*b*) Germany shall pay and the United States shall accept in full reimbursement of the amounts remaining due on account of the costs of the United States army of occupation, the amounts set forth on the several dates fixed in the following schedule:

March 31	Reichsmarks	September 30	Reichsmarks
1930	25,100,000	1930	12,750,000
1931	12,750,000	1931	12,650,000
1932	12,650,000	1932	12,650,000
1933	12,650,000	1933	9,300,000
1934	9,300,000	1934	9,300,000
1935	9,300,000	1935	9,300,000
1936	9,300,000	1936	9,300,000
1937	9,300,000	1937	8,200,000
1938	8,200,000	1938	8,200,000
1939	8,200,000	1939	9,300,000
1940	9,300,000	1940	9,300,000
1941	9,300,000	1941	12,650,000
1942	12,650,000	1942	12,650,000
1943	12,650,000	1943	12,650,000
1944	12,650,000	1944	12,650,000
1945	12,650,000	1945	12,650,000
1946	12,650,000	1946	12,650,000
1947	12,650,000	1947	12,650,000
1948	12,650,000	1948	12,650,000
1949	12,650,000	1949	17,650,000
1950	17,650,000	1950	17,650,000
1951	17,650,000	1951	17,650,000
1952	17,650,000	1952	17,650,000
1953	17,650,000	1953	17,650,000
1954	17,650,000	1954	17,650,000
1955	17,650,000	1955	17,650,000
1956	17,650,000	1956	17,650,000
1957	17,650,000	1957	17,650,000
1958	17,650,000	1958	17,650,000
1959	17,650,000	1959	17,650,000
1960	17,650,000	1960	17,650,000
1961	17,650,000	1961	17,650,000
1962	17,650,000	1962	17,650,000
1963	17,650,000	1963	17,650,000
1964	17,650,000	1964	17,650,000
1965	17,650,000	1965	17,650,000
1966	17,650,000		

As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, dated September 1, 1929, and maturing on March 31, 1930, and on each succeeding September 30 and March 31 in the amounts and on the several dates fixed in the preceding schedule.

2. *Form of Bonds.* — All bonds issued hereunder to the United States shall be payable to the Government of the United States

of America and shall be signed for Germany by the Reichsschuldenverwaltung. The bonds issued for the amounts to be paid under Paragraph numbered 1 (*a*) of this agreement shall be issued in 103 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit A"[1] hereto annexed and shall bear no interest, unless payment thereof is postponed pursuant to Paragraph numbered 5 of this agreement. The bonds issued for the amounts to be paid under Paragraph numbered 1 (*b*) of this agreement shall be issued in 73 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit B"[1] hereto annexed and shall bear no interest unless payment thereof is postponed pursuant to Paragraph numbered 5 of this agreement.

3. *Method of Payment.* — All bonds issued hereunder shall be payable, both principal and interest, if any, at the Federal Reserve Bank of New York for credit in the general account of the Treasurer of the United States, in funds immediately available on the date when payment is due in United States gold coin in an amount in dollars equivalent to the amount due in Reichsmarks at the average of the middle rates prevailing on the Berlin Bourse during the half-monthly period preceding the date of payment. Germany undertakes to have the Reichsbank certify to the Federal Reserve Bank of New York on the date of payment the rate of exchange at which the transfer shall be made. Germany undertakes for the purposes of this agreement that the Reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in Sec. 31 of the present Reichsbank law and that for these purposes the Reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German coinage law of August 30, 1924.

4. *Security.* — The United States hereby agrees to accept the full faith and credit of Germany as the only security and guaranty for the fulfilment of Germany's obligations hereunder.

5. *Postponement of Payment.* — Germany, at its option, upon not less than 90 days' advance notice in writing to the United States, may postpone any payment on account of principal falling due as hereinabove provided, to any subsequent September 30 and March 31 not more than two and one-half years distant from its due date,

[1] Not reprinted.

but only on condition that in case Germany shall at any time exercise this option as to any payment of principal, the two payments falling due in the next succeeding twelve months can not be postponed to any date more than two years distant from the date when the first payment therein becomes due unless and until the payments previously postponed shall actually have been made, and the two payments falling due in the second succeeding twelve months can not be postponed to any date more than one year distant from the date when the first payment therein becomes due unless and until the payments postponed shall actually have been made, and further payments can not be postponed at all unless and until all payments of principal previously postponed shall actually have been made. All payments provided for under Paragraph numbered 1 (*a*) of this agreement so postponed shall bear interest at the rate of 5% per annum, payable semiannually, and all payments provided for under Paragraph numbered 1 (*b*) of this agreement so postponed shall bear interest at the rate of 3⅝% per annum, payable semiannually.

6. *Payments before Maturity.* — Upon not less than 90 days' advance notice in writing to the United States and the approval of the Secretary of the Treasury of the United States, Germany may, on March 31 or September 30 of any year, make advance payments on account of any bonds issued under this agreement and held by the United States. Any such advance payments shall be applied to the principal of such bonds as may be indicated by Germany at the time of payment.

7. *Exemption from Taxation.* — The principal and interest, if any, of all bonds issued hereunder shall be paid without deduction for, and shall be exempt from, any and all taxes or other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

8. *Notices.* — Any notice from or by Germany shall be sufficient if delivered to the American Embassy at Berlin or to the Secretary of the Treasury at the Treasury of the United States in Washington. Any notice, request or consent under the hand of the Secretary of the Treasury of the United States shall be deemed and taken as the notice, request or consent of the United States and shall be sufficient if delivered at the German Embassy at Washington or at the office of the Germany Ministry of Finance at Berlin. The United States in its discretion may waive any notice required hereunder, but any such waiver shall be in writing and shall not

extend or affect any subsequent notice or impair any right of the United States to require notice hereunder.

9. *Compliance with Legal Requirements.* — Germany and the United States, each for itself, represents and agrees that the execution and delivery of this agreement have in all respects been duly authorized and that all acts, conditions and legal formalities which should have been completed prior to the making of this agreement have been completed as required by the laws of Germany and of the United States respectively and in conformity therewith.

10. *Counterparts.* — This agreement shall be executed in two counterparts each of which shall be in English and German languages both texts having equal force and each counterpart having the force and effect of an original.

In witness whereof, Germany has caused this agreement to be executed on its behalf by its Ambassador Extraordinary and Plenipotentiary at Washington thereunto duly authorized, and the United States has likewise caused this agreement to be executed on its behalf by the Secretary of the Treasury, with the approval of the President, pursuant to the Act of Congress approved
all on the day and year first above written.

The German Reich

By.....
Ambassador Extraordinary and Plenipotentiary

The United States of America

By.....
Secretary of the Treasury

Notes Exchanged Simultaneously with Execution of the Agreement

The German Government (The Government of the United States) has the honor to set forth its understanding of par. No. 4 of the Agreement executed this day between the United States and Germany in the following sense:

(*a*) In respect of the acceptance by the United States of the full faith and credit of Germany as the only security and guaranty for the fulfillment of Germany's obligations under the agreement, Germany will be in the same position as the principal debtors of

the United States under the debt funding agreements which exist between them and the United States.

(*b*) Nothing contained therein shall be construed as requiring the United States to release any German property which it now holds other than as heretofore or hereafter authorized by the Congress of the United States.

The German Government (The Government of the United States) also desires to expressly recognize, so far as the Agreement executed this day between the United States and Germany is concerned, the prior rights of the holders of the bonds of the German External Loan as provided in the general bond securing the loan dated October 10, 1924.

The United States has received the sum of R.M.
and the sum of R.M. on account of the bonds numbered one to be delivered under pars. No. 1. (*a*) and 1. (*b*) respectively of the agreement executed this day between the United States and Germany. The receipt of these amounts will be evidenced by an indorsement by the United States on the bonds on account of which the sums were received.

The agreement executed this day between the United States and Germany is substituted for the direct arrangement providing for the realization by the United States of its 2¼% share in German payments under the Experts' Plan of 1924.

ADDENDA

Page 2. The Arbitration Tribunal (Art. XV of the agreement with Germany) is called upon at the outset to determine whether the annuity coupons of the German certificate of indebtedness for the period 1966–1988 shall be divided into nonpostponable and postponable parts. The German Government in transmitting the certificate of indebtedness interpreted Section III (1), p. 234, as requiring the division into Parts A and B of the annuity coupons running only through the fiscal year 1965–66.

Page 43. The Reparation Commission and the Kriegslastenkommission took the formal resolutions provided for in the final act on May 17, 1930. On the same date the Reparation Commission transferred all continuing functions to the Bank for International Settlements.

The Bank for International Settlements was formally constituted on May 19, 1930.

Pages 66 and 243. The financial agreement between Germany and the United States initialed December 28, 1929, after approval by the German parliament and enactment in substance by the Congress of the United States, was signed at Washington, June 23, 1930.

Page 101. The board of directors of the Bank for International Settlements on June 16, 1930, designated additional central banks eligible to subscribe for stock under Art. 7 (1) and (2) of the Statutes and to appoint members of the board of directors under Art. 28 (3). The central banks so designated are those of Austria, Bulgaria, Czechoslovakia, Danzig, Denmark, Finland, Greece, Hungary, Netherlands, Poland, Portugal, Rumania, Sweden, Switzerland and Yugoslavia. The designations add Austria, Danzig, Denmark and Finland to those mentioned in the text. The invitations to Portugal and Yugoslavia were deferred pending their complete establishment of the gold or gold exchange standard.

Page 110. The German Government international 5½% loan 1930, 35-year gold bonds, is dated June 1, 1930, and was issued on June 12 and 13 in the following amounts in the following nine markets: United States, $98,250,000; France, 2,515,000,000 francs; Great Britain, £12,000,000 sterling; the Netherlands, 73,000,000 florins; Sweden, 110,000,000 kronor; Switzerland, 92,000,000 Swiss francs; Germany, 36,000,000 Reichsmarks; Italy, 110,000,000 lire; Belgium, 35,000,000 belgas. The issue price was 98.25 in France and 90 elsewhere. In dollar equivalents the nominal and effective proceeds of the tranches were:

	Nominal	Effective
United States	$98,250,000	$84,500,000
France	98,535,185	84,500,000
Great Britain	58,398,720	50,000,000
Sweden	29,478,900	25,000,000
Netherlands	29,343,080	25,000,000
Switzerland	17,751,400	15,000,000
Germany	8,575,560	7,500,000
Italy	5,789,300	5,000,000
Belgium	4,866,400	4,000,000

The proceeds were alloted to Germany and the creditor Governments by the Bank for International Settlements on June 16 in the following amounts:

Germany	$100,000,000
France	132,215,000
Great Britain	50,000,000
Italy	13,105,000
Japan	2,060,000
Yugoslavia	1,872,000
Portugal	748,000

The annual service of the loan is 94,700,000 Reichsmarks.

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ONE of the important factors which has delayed the economic and financial stabilization of Europe has been the question of the liquidation of war debts, particularly those involved in the payment of reparations by the Central Powers. Until it was finally determined by the Young Plan and the establishment of the Bank for International Settlements what total sums were to be paid and when, the potentialities of Central Europe, whether as a commercial competitor or as a market for the rest of the world, could not be satisfactorily stated.

By the agreements now concluded, liquidation has been provided not only for the claims against Germany but for those affecting Austria, Hungary and Bulgaria, and the conflicting obligations of the succession states.

In this book Mr. Myers summarizes the problems to be solved and the processes by which the settlements have been arrived at. He also furnishes a digest of the intricate but invaluable financial documentation on the subject. The result is a survey indispensable to the thorough consideration of reparation and the future financial relations of European governments with the United States.